

Submission to the Parliamentary Inquiry

- Why we went to Storm – they were a large financial planning group, appeared to be successful and we wanted financial security in our old age we didn't want to retire on the old age pension
- Their strategy – they advised us to
 - borrow \$584,000.00 from the Commonwealth Bank
 - borrow \$580,000.00 from the Macquarie Bank
 - they took \$275,000.00 in cash away from us
 - they told us only what they wanted us to hear / know
- The Banks involved
 - why did they lend so much money to people like us who couldn't afford to pay it back
 - where were they when Storm were borrowing on our behalf
 - where was their advice / they weren't looking after us either
 - where was their duty of care
- Risk
 - the only risk we couldn't take was not investing with Storm
 - we needed investments that would grow and keep up with inflation.
- What should happen to them – the owners and the planners of Storm Financial knew what they were doing to us – they and their policies need investigating to the full extent of the law
- What do I want – I would like to think there was some compensation for the huge financial losses that we have suffered, our lost assets and the loss of a financial future.
- Lastly I would like to make sure that nobody ever has to suffer the way we have suffered and will continue to suffer for the rest of our lives. You can never recover from a huge loss like this, you just learn to exist.

We are former clients of Storm Financial and we are appalled at the advice which we received from them. We told them that two of our children and their families live overseas and we needed a safe investment option so that we could afford to visit them and our grandchildren and said that we weren't interested in anything risky. We didn't ask for large loans to be borrowed and for them to go into the stock market but this was the only option that they offered. We were concerned but they assured us that our portfolio would be monitored at all times by their experts and that the market would have to fall a long way before we would find ourselves in any trouble. We didn't know what to do but they keep assuring us that it would be safe as we had chosen a balanced safe option. The planner that we went to was a professional salesman he had all the answers to our questions and arguments. They assured us that if we followed their advice that we would be financially secure in 5 – 7 years. They were members of the FPA and were a large financial planning group. We did ask lots of questions and I did talk to other people who had been with Storm for some time and everyone assured us that they were ok. So we gave them our trust, our money and followed their advice. Today instead of being ok we are facing complete financial ruin. These people need to be accountable for their actions.

We have been treated as though we should have realized what was going on but after talking to other financial planners since January I realize that we were deliberately kept in the dark. Storm only wanted us to know what they wanted us to know and had an answer for everything. We were told / warned not to question their advice 'as the people who do well are the ones who follow our advice, 'some people try and tell us what to do and they never do as well' (direct quote from YD financial planning partner Mackay). They were skilled salespeople. We are financially naïve and that is why we felt we needed the advice of a financial planner. The CBA Bank and Macquarie Banks have allowed Storm to borrow \$580,000.00 plus each on our behalf. Neither of these Banks ever interviewed us, never checked our pay slips, never warned us of the dangers of borrowing such a large amount of money, never made sure that we could repay such a large loan or to explain the dangers associated with this sort of borrowing and investing.

We didn't understand the margin loan concept and Storm NEVER explained this concept to us so that we could understand it. We're not stupid people and if Storm had explained the margin loan theory we would certainly understand and had nothing to do with it. Another financial planner took 5 minutes to explain the whole concept to us and we understood completely. Our Storm planner, JS, told us that the money we borrowed would be put into a 'dam', an account where the money flowed in and out and when the market was high they would sell off some of our stock and put the money into the dam and when the market dipped they would take the money out of the dam and put back into the market. When I asked another planner in January about the 'dam', he said 'there is no dam every time you borrowed it was against the margin loan.' We said 'but we've only got one loan with the Commonwealth Bank' and he said 'no you have another loan for \$580,000.00 at Macquarie as well as a loan for \$584,000.00 at the Commonwealth Bank.' We had no idea.

We were told that we would be borrowing 60% of our 'valuation' and would have to have our property valued (the word 'mortgage' was never used and we were not told that our property would be mortgaged) when we were concerned at this level of debt that Storm recommended, our planner assured us that we would be safe as we had chosen 'a really safe level of debt and Storm would invest and monitor these investments so that we wouldn't have to worry about it.' We were told that 'the real risk was not investing with them.' When I asked our planner what are the risks his answer was 'the whole Australian economy would have to collapse' before you even look like running into trouble' There are various statements about risk in the Statement of Advice that we were given but they're scattered throughout this cumbersome 100 page document which we found difficult to read and comprehend and I think that this is a deliberate tactic by Storm. We are now going to another financial planner and his Statement of Advice he said will be two pages long and will contain exactly what we need to know. I think that Storm's Statement of Advice was written deliberately to hide the real information amid the pages and pages of financial jargon. We now know that Storm Financial, their planners and it's advice were all a con, a scam. Other scams are illegal but this one

was not, it was approved by the very people who were meant to be protecting the investors. It is only now that the stock market has crashed that their scam has come to light that the FPA and ASIC are up in arms at the way they have treated their clients. Where were they before?

Storm's advice has proved disastrous for us and many others. We found out too late that they had borrowed 120% of our valuation at the two banks concerned. In 2007 when these loans were approved we had a combined income of less than \$60,000 gross per year. To recommend this level of borrowing for someone of our age and earning capacity is ludicrous. The stress associated with losing so much is horrific and I would like to make you all aware that we shouldn't have to go through so much just because we have made the choice / mistake of seeking financial advice from an approved financial planner. Surely there is some regulation that prevents Storm and the Banks doing what they have done to us. In hindsight it is so easy to see where we all went wrong but at the time we thought we were doing the right thing, we thought that we could trust them and we also thought that they knew what they were doing.

We would like to know what our options are now that we have been so unfairly treated by all concerned. Storm have bowed out of the scene and left us to face the wrath of the banks alone. The Banks need to be made aware that they are dealing with people who are taking advice instead of people who know what they are doing financially. The Banks would have known that what they were doing was financial suicide for their clients. We paid Storm a lot of money in fees to make sure that we were financially and legally secure and now we find that we are neither of these. It may not be criminal in the eyes of the law but I think this is criminal never-the-less and needs to be investigated. We now know that Storm have taken \$140,000.00 in fees from our portfolio. How can they justify this. We were assured that they were there for us in the long term, we were with them for under two years and as soon as the going got tough they bailed out.

In 2007 we owned two homes and had \$200,000.00 in cash, plus three life insurance policies. I also put my wages into this plan for two years. Today we have lost all our cash, we have one house on the market to sell and we will still have a large mortgage over our own home. The investment home is not selling because of the economic downturn. The Commonwealth Bank charges us \$4530.00 in interest only every month and we only earn \$4400.00 between us -what are we meant to live on, how are we meant to survive, as I said before this is 'criminal.'

Storm Financial, their owners, their advisors and the Banks involved in this debacle all need to be investigated and convicted as they all knew what they were doing to us. We have been treated as though we should have known what was going on as well by other professional people. If we knew what to do financially we wouldn't have had to go to a financial advisor. We went there for advice not be be scammed out of our life savings by these professional rogues. I would like to see us compensated for our lost assets, our lost savings and the stress associated with being left in this appalling situation by all of these people and I hope that you will investigate them to the full extent of the law.

Today we wait for our children to ring from overseas knowing that we can never visit them or their families again. We are grieving for a life and lives that could have been.. We didn't ask for a fortune just a financial plan that would see us safely through our retirement years. Now we have a 'lot' to look forward to -putting our beloved home on the market, no money in the bank to worry about, never have to worry about buying a new car or a new anything ever again, no worries about getting the old age pension and I wonder which old peoples home we can afford to live in. If we throw everything at our debt we'll have it paid off in 31 years and 11 months. We're both 60 this year.