21st July 2009

<u>Re: SENATE ENQUIRY SUBMISSION</u>

At the time of writing this submission, the Commonwealth Bank has made an offer, a deal, in relation to the Home Loan Debt that we are left with from the Storm Financial "meltdown".

The offer allows for us to stay in the home until we die, after which time, the CBA will then recoup a certain amount from our estate.

Within the offer, there are a dozen clauses that contain conditions ripe for a future of worry and concern should we accept the offer. Conditions that, should we unintentionally or accidently breach, the CBA would be able to exercise their "right" to immediately scrap the contract and sieze our property.

Also, within the offer, there is a clause precluding us from making any further claim or even a complaint against the CBA. Any such action would result in the CBA "tearing up the offer" and foreclosing on the Home Loan. Thus, we would lose our home.

We feel, however, that we must make this submission to the Parliamentary Enquiry and **we trust that there will be some form of protection for us, in regard to the CBA's "blackmail"**.

RICHARD & GLORIA TURNER

<u>A brief summary compiled in March 2009:</u>

My wife and I are just ordinary, hard-working people.

During our working lives, we lived modestly. We have been in the **same modest house for 36 years** where we raised our two children. We have never owned a brand-new car, always second-hand. We wear ordinary clothes. Whenever we go on holidays, we stay in economical hotels or motels. We don’t drink and we don’t smoke.

We had always been quite good “savers”, accumulating what we considered to be a nice little bank account during our working lives.

In 1999, at 53, I was retrenched from a job that I had held for 26 years. I was devastated, but, to my amazement, I was able to find another very good full-time job in the same industry that I had just left.

My wife and I then sought financial advice with our future retirement in mind. We went to several advisers, and finally, after much deliberation, we chose a company called Storm Financial to manage our portfolio. (The company wasn’t called Storm then. That name came a few years later). This company seemed very professional and they were a local, well-trusted business.

By following Storm’s advice, we would eventually become self-funded retirees. This appealed to us. We didn’t want to be reliant on the Government.

At the time we joined Storm in April 2000, we owned, outright, our home which was valued at about $180,000.00. We also had purchased an investment property worth about $125,000.00, and, with about $75,000.00 equity. We had approximately $120,000.00 in my Super policy and a personal Super account of about $58,000.00 plus a savings account of about $70,000.00. We were in a pretty good state.

Upon Storm’s advice, we borrowed against our assets, including our home, and invested in the share market. We were assured that, as our investment was across the top 200 companies in Australia, the ASX 200, our investments were safe as it would require the whole of those companies to go out of business for us to lose on our investment. That was an impossibility.

Our savings became our “dam” to be used in times of market falls.

We had never been gamblers. We had worked and saved hard to pay our home off within fifteen years from its purchase. But, such was Storm’s spiel, that they convinced us that using the equity in the home, ie. making the home work for you, was the right and sensible thing to do.

And so, we were also advised to sell our investment home and those funds were added to our portfolio. When I turned 55, in 2001, all of my Super was added.

We were advised to take out a Margin loan. That is, we were able to borrow against the value of our shares, to purchase more shares.

This then became an ongoing procedure; each time, a new "step". As our shares' value increased, we would then increase our Margin loan. (Of course, with every new "step", Storm would take a very nice fee; a hefty fee, in fact). Every so often, our house would be re-valued, and funds borrowed against that extra equity. The "debt ratio" was always kept to around the 50 to 60% range, a very "safe" position we were told.

At the end of 2005, Storm advised us to take retirement. We were told we were in a suitable position to do that. An income would be drawn from the profits from our shares' portfolio. Should the market drop at any time, our "dam" was there to provide the income until the market recovered.

And, so, I gave up a well-loved, very reliable, well-paying job with a very reliable company. My wife, also, left her well-loved, very safe and reliable government job as a Teacher Aide.

Upon retirement, we were able to go and do a little traveling in our caravan. As well, we were finally able to go over to South Africa to visit our daughter in Johannesburg. We hadn't seen her since 2002. (She married a South African in South Africa).

Our portfolio had reached a stage where we were able to enjoy comfortable retirement, but, all the time, we chose to still live our modest lifestyle.

In early 2008, when my wife reached 55, her Super of about $78,000.00 was also added to the "plan". We had followed Storm's advice all along. We were "model" clients.

Then came the "crash" towards the end of 2008. All of a sudden, the value of our shares had dropped down to the value of our Margin loan. Storm "protected" us by converting all our shares into cash. Of course, they left that **far too late, resulting in us still having a home loan of $280,000.00**. (At the last valuation, in 2007, our home had been valued at $350,000.00 and our share portfolio increased accordingly).

Forgetting the increased value of our portfolio just prior to the "crash", we lost, in real terms, our three Super policies of about $256,000.00, the equity in our investment home of about $75,000.00 and our savings of about $70,000.00; plus $280,000.00 of our beloved home. Then, there is the approximately $400,000.00 in interest that will accumulate on the Home Loan.

Fortunately, we were able to ***just*** pay out our Margin loan, but were **penalized by Colonial Geared Investments, a part of the CBA, some $27,000.00 for breaking the fixed, pre-paid interest period**. And we were left with a home loan of $280,000.00. The ***interest-only*** payments for that loan are coming straight out of our "dam", the funds of which are dropping fast.

At 63 and 56, we have very little chance of finding full-time employment. We're trying like mad, though. Meanwhile, we have to live. But, even with the scenario of us both obtaining full-time jobs, how can we ***ever*** pay off the loan. It's an impossibility at our ages.

And, so, we are in a desperate situation. Gloria has suffered, seriously, with Anxiety. She spent a week in hospital and is now on medication and attends sessions with a psychologist. We have both contemplated suicide. Within a short time, we will be forced to sell our home. It's inevitable. **Then what?**

Richard and Gloria TURNER

Townsville

Further to the Submission:

We lay the blame for our current situation, firstly, with STORM FINANCIAL, including the founders Emmanuel and Julie Cassimatis and our personal adviser, **Bernardine Frawley**. They, after all, were our financial advisers and managers, and, in the end, they let us down.

As well, **the CBA**, including Colonial, were reckless, and, it is now apparent, **fraudulent,** in loaning out vast sums of money, freely, for Home Loans and Margin Loans, with no real checks on the positions of the clients. Income amounts were doubled in our Home Loan documentation.

Normally, when one applies for a loan to purchase a home, or for any other reason, you would, firstly, have to apply in person. I can't imagine that you could just make a phone call or submit an application form by mail and be granted a loan. Once in the bank manager's office, you would then be given the "first degree", having to disclose all sorts of personal information about yourself, past, present and future. You would have to provide proof of permanent employment, wages and so on. You would have to have real proof of the ability to repay the loan. Only then, you may or may not be granted the loan.

And yet, in our case, retirees, with no actual, or certainly not reliable income, we only had to sign a blank form. Our fund managers, **STORM, and/or the CBA, would then fill in whatever details they wished**, and, hey presto, we'd have a loan of hundreds of thousands of dollars. What checks did the bank do? Obviously, none. Why is that? It **must surely be apparent that STORM and the CBA had an "arrangement"**. STORM would haul in the clients, the CBA would approve the loans and both would make lots of money, one in hefty fees and the other in interest. A nice arrangement.

However, the Federal Government must take some of the blame too. Superannuation was made compulsory so that in the future, fewer retirees would be reliant on, and thus relieving, the welfare system. Yet, whilst Superannuation is compulsory and funds' managers necessary, through poor management or mis-management, funds can be lost. This is not at all satisfactory. Action needs to be taken to prevent this sort of thing from happening in the future.

CONCLUSION:

* Whilst using the word “advised” several times, it is really inappropriate. We were really **told** what was to be done with our funds. Right from the start, our STORM advisor, Bernardine Frawley, was very convincing. At the start, in the early part of our involvement, we, naturally, would question some of the advice. It was always impressed upon us that, we should follow the “plan” otherwise it would fail and the desired results would not be achieved. After a while, we put our complete trust in her. However, there were still times when we would question some of the “steps”. But, there was always an answer to convince us that all was well, we were doing the only thing possible, and it was necessary.

- Our final meeting with Bernardine Frawley, was on December 18th 2008, just a few weeks before STORM was “shut down”. Even at that meeting, we were assured that all was well with our portfolio and that we were in a good position, ready for the recovery steps as soon as the market started to recover. We expressed our concern about the possibility of losing our home and she again assured us that that would never happen. My wife told Bernardine that she “did not want to be left sitting in the gutter”. Bernardine Frawley replied, “Gloria! If you’re sitting in the gutter, I’ll be there beside you and that’s not going to happen”.

- Although not the type of people to do such things, STORM, through Bernardine Frawley, convinced us to mortgage our home, and after some time, to sign blank documents. We’d never done such things in our lives before. But, such was the trust that had developed, that she would produce the forms, eg. to apply for a loan, and we would be told to simply sign them and they would fill in the details. **At no time during our 9-year involvement with STORM, did we see or speak to any representative of the CBA or CGI and yet, we were loaned over a million and a half dollars**.

- Although retired, and drawing an income only from our shares, the CBA and CGI were still willing to loan us hundreds of thousands of dollars. Now that we have obtained copies of the Loan Application documents for **our last Home Loan** in late 2007, we have discovered that **our income figures have been falsified**. **Our income has been doubled from that which we were actually receiving**. Figures appeared to have been “plucked from the air”. Whether by STORM or the CBA matters not. The CBA should have been wary of loaning such large amounts to two retirees.

  RICHARD & GLORIA TURNER

  Townsville