

7<sup>th</sup> Apr 2009

Mr Gregory

Watts



## **SUBMISSION TO SENATE COMMITTEE INQUIRY re STORMFINANCIAL COLLAPSE**

### **BACKGROUND**

We had been with the previous Jelich-Jones Partnership since October 1996 ,with investment in MLC products. Our Adviser for the whole period of investment,including the Stormfinancial days was Robert Jones of Redcliffe office. On Bob's advice we sold down our MLC Investment and bought into the Storm Badged Sharemarket Index Funds in April 2004.During this period we changed houses(upgraded) and reached a stage where we had 100% equity in our home and added to our investment by a Westpac Loan secured against the property. Our first Margin Loan was not until June 2007. Because I was about to retire and my wife worked casually in Aged Care,we needed to establish an income stream for retirement and our investment in Storm was structured to provide this.

### **SUBMISSION**

The aspect of the Stormfinancial collapse that I question and that I would like the Committee to discuss is the behaviour of the associated Financial Advisers in the period leading up to the collapse. I would like to say up front that I had a good and trusting relationship with Bob Jones up until the formation of Stormfinancial and that his behaviour changed from June 2007 when I took out my first Margin Loan with Colonial Geared Investments. During this period and up to the collapse on 5<sup>th</sup> December 2008,he avoided by one means or another giving me answers to my many questions raised in emails and phone conversations. Indeed the first time I ever sighted the CGI Margin Loan Terms and Conditions was On 26<sup>th</sup> February 2009 when the document accompanied a reply from John Clothier,Head of Investment Lending at CGI. Bob Jones operated by not exactly telling lies but rather just not providing the information. A good example of the deterioration in Bob's attitude to clients like myself is provided by a

scheduled meeting I had with him in his office at Redcliffe at 10.30am on Monday 8<sup>th</sup> December 2008. Bearing in mind that we investors had no knowledge that our portfolios had been sold down on the previous Friday and that CGI had dissolved the Storm badged facility so that re-entry was not possible at a later date. No mention whatsoever from Bob at the meeting..he was still sticking with the story that I was parked in cash(CBA Townsville) with a plan for re-entry when the bounce back of the All Ords occurred. Later that week I received letters from CFS and CGI dated 9<sup>th</sup> December 2008 and received on 11<sup>th</sup> December 2008 explaining what had transpired. When I confronted Bob Jones as to why I had not been informed,he defended his behaviour by saying "I knew about one but not the other". By this he meant that there were two sources of Storm badged products,the second had Challenger MI as RE. My understanding was that I would prepay Margin Loan interest before the due date in June 2008 to maximise my tax situation. This would be effected by selling down Fund units to the value of the prepayment. I had never heard of capitalisation of interest prepayment. From early 2008 I contacted Bob by email and phone to ask him to arrange the redemption by the appropriate date.At the last contact shortly before prepayment was due he said "I'm still thinking about it". I received a letter shortly afterwards signed by Emmaneul Cassimatis with capitalised prepayment as the recommended option. I recently received a reply from John Clothier of Colonial Geared investments in response to my enquiry re breakage costs for the fixed rate Margin Loan. He spoke,in part,about a "contractual arrangement between Storm and CGI". A retired CBA Manager friend of mine has told me that with any loan,including Margin Loans,there would exist a Loan Approval Document with triggers. I have never seen such a document and also have no idea how a Margin Loan credit limit of \$800000 for me was arrived at. Could these be part of the contractual arrangement?.

I am far from happy with my treatment by my Financial Adviser and would welcome advice as to how I can have his behaviour investigated by ASIC or a relevant body. I am far from happy that he has been able to continue in the industry with another company while the rest of us have undergone major lifestyle change and hardship due to his incompetence.

Regards

Greg Watts