

Submission to Parliamentary Joint Committee on Corporations and Financial Services

In late 2005 I retired from TAFE and received a lump sum payout.

I was advised by a friend to contact a company called Precise Solutions and the Proprietor Anne O'Neill. I followed this advice and during 2006 had several conversations and meetings with O'Neill.

As a result I invested my Super in an allocated pension with Colonial Mutual which yielded me an income stream of around \$2,000 per month.

Late in 2007 I was contacted by O'Neill about a new product which she said would be of great interest to me as my capital would eventually run out.

At her advice I attended an information evening and was introduced to the Storm product and the "chicken and egg" scenario which was the Storm trademark sales pitch. O'Neill pushed this as a panacea which would ensure my income stream "for life" by growing my capital. At this stage I had no idea that O'Neill was now an employee of Storm having sold her business to them.

In early 2008 I was presented with an SOA from O'Neill.

An appointment was arranged at the Storm office in North Sydney and the forms were signed in the presence of Dean Macan in O'Neill's absence. At that time I was leaving almost immediately to take up a teaching post in China and O'Neill had pressured me to make a decision before I returned. As a consequence the forms were signed by me without a real understanding of what marginal loans were and how they operated. The document actively encouraged the conversion of "illiquid assets" such as the family home into investment cash. I refused to do this and restricted my margin loan to \$200,000. This was arranged by Storm with NAB and I signed several "blank" forms to apply for the loan – at no stage did I have any personal contact with NAB. The yield of my investment was to be an income flow of \$2,000 per month through a Cash Management account with Macquarie - I queried that the market might fall but was assured my income stream was protected up until the end of 2009. Dividends were to be re-invested to purchase more stock. I was asked to pay \$34,000 up front in return for ongoing advice – I requested Macan to make this payment "on consultation" rather than in advance but was told that this was not possible. The document was 104 pages long and due to my imminent departure for China I had no time to peruse it in detail or get other opinions.

In China communication was difficult but I became aware of a falling market and expressed my concerns several times in mid-2008 by e-mail to O'Neill who was my designated adviser. I regularly requested details of the yields of my investments in comparison with term deposits which at that time were yielding 8%. My requests were totally disregarded or dismissed. (I have copies of all e-mails on this issue)

I returned to Sydney in July and requested an urgent meeting with O'Neill to discuss my "investment" – again she was absent and instead I had a meeting with Bernardine Frawley (a Director of Storm who I had never met before). I explained my concerns and Frawley indicated that "You should not be in the plan as you obviously don't understand it" and indicated that she would refer my case to "a review panel". (I presumed this was to make a new arrangement).

I returned to China in late August and quickly became aware that the market was declining rapidly. I received an e-mail on behalf of O'Neill which indicated that my cash had run out and that my income stream would soon cease unless I adopted their "recovery strategy". This involved borrowing a further \$15,000 "to give you greater exposure to the market". I rejected this as totally impractical and requested that Storm preserved my income stream by using dividends and "if necessary redeeming shares". After several e-mails requesting information on progress I was told that the matter had been referred to Townsville. After even more inaction I made a formal complaint alleging incompetence of both O'Neill and Frawley. I received a response from Julie Cassimatis saying that she personally would investigate the issues.

In the meantime I received advice from my wife in Sydney that Storm were requesting authority to convert all shares to cash to protect assets. I contacted Storm Head Office from China and forms were e-mailed to me and I submitted the relevant documents and assumed that this action had been carried out.

Again after numerous futile e-mails requesting updates I eventually (early November) received the investigation results from Julie Cassimatis this totally exonerated both O'Neill and Frawley and considered the advice given was "appropriate". In her response Cassimatis offered me 3 alternatives:

1. To transfer back to an allocated pension.
2. To get out and receive about \$137,000 Of my original \$287,000 investment
3. Storm would guarantee my income stream and interest payments "until your portfolio can support it"

I accepted option 3 and advised Julie of my decision. No action was taken on my request and when I returned to Sydney in December I requested an urgent meeting with O'Neill and Frawley. I was advised that a video-link meeting would be held early in December when I would be able to speak personally with Emmanuel Cassimatis . This meeting took place on 6 December when I explained my position and asked what action was being taken. I ascertained that no shares had been redeemed and elicited from Cassimatis that this non-action had cost me at least \$700. At this meeting Cassimatis promised to produce a cashflow document to explain how Storm would guarantee my income and interest payments without further loans. This document was promised within two weeks as O'Neill was leaving for a holiday in the U.S.A. No such document was ever produced – I again lodged a formal complaint with Storm and told it was "with our legal department".

Shortly after funds were frozen. The rest is as they say history.

I was desperate to recoup what was left of my "investment". I contacted both NAB and Challenger and early 2009 managed to sell my remaining "investment" and recoup around \$100,000. The alternative of continuing to pay the Margin Loan interest of \$1,500 per month and receive no income stream was not practical.

In summation I have paid the penalty of trusting a person who obviously sold out to Storm both financially and ethically. I believe Storm did not meet their stated commitments in the SOA – I was always under the impression that I could do nothing without going through my adviser (I later ascertained that I could have sold out by contacting Challenger directly).

I have since contacted another Financial Adviser who I believe is reputable but I have not yet found the ability to place trust in him and my remaining funds are now in a Credit Union Term Deposit. My wife lost even more money than I and was subject to a Margin Call from Macquarie Bank. We are now both receiving part Aged pension payments from Centrelink.

Walter Brian Taylor