

**Senate Select Committee on  
Superannuation and Financial Services**

**Main Inquiry  
Reference (a)**

**Submission No. 129**

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## SUBMISSION FOR SENATE INQUIRY

In the 1970's I was employed as a real estate sales person. This position brought me into contact with solicitors and their firms. I built up a rapport with Bob Badenach Sen. at Murdock, Clarke, Cosgrove & Drake. His firm financed my first investment property.

After I sold the property I gave Bob my profit to invest in their mortgage scheme. I was given the address of the property in which my money would be placed. This occurred frequently after that. The properties were always on a first mortgage, family homes or units and situated in Hobart. After Bob died I continued to invest, sometimes with other firms.

In November 1977, a friend recommended Piggott, Wood and Baker as a very reliable old firm, looking for investors. I contacted them and spoke to Michael Burke. We had quite a long conversation. He assured me that he could immediately place my money, \$44,000 and a further \$15,000 of my parent's money. I asked him about the borrower's loan being insured. He assured me that it would be safe, because they would only lend around 60% of the valuation. I remarked to him that I could always buy the property if that situation arose. He agreed. At no time during that conversation did he indicate that my money would be placed on multi-million dollar resorts in  
DELTORAN... J... After I gave him the \$59,000 I received a contract to say that I could withdraw my funds on giving 1 MONTHS notice. I was not <sup>AWARE OF</sup> "An Important Notice to Investors" letter until a year later 10th November, 1998. Had I been given that, or the addresses of the properties, I would not have invested with PWB.

My money ended up being divided between three Multi-million dollar resorts in <sup>Northwood</sup> <sup>Manor</sup> Ravenswood, (later Sunny Hills), Bridport and Archers Manor. On the 10th November, 1998, I received three letters from PWB, to notify me that the Borrowers may not meet their interest payments. Not long after that I wrote to PWB and gave my *1-MONTH* notice to withdraw my funds. When this was not forth-coming I telephoned John Turner. He told me that I could not have my money because he was not allowed to introduce other investor's funds into loans that were in arrears. I first asked about the Bridport property at 35 Main Street, Bridport. He told me that it was a little tea-room that had experienced a decline in trade during the winter months and assured me that this was just temporary and they would make their interest payments very soon. I considered the possibility of buying the property if they could not make interest payments.

About a month later, I received a letter from the firm Deloitte Touche Tohmatsu that informed me that Bridport was a Multi-million dollar resort with an outstanding loan of \$2,133,000. Later on I was to discover that prior to my money being placed on the property, the Borrowers were making irregular interest payments on the loan and were in arrears, at the same time they were in arrears on another loan, through PWB, ( the Sunny Hills property), and there was no current valuation on the Bridport property.

The next property John Turner and I discussed was Ravenswood (Sunny Hills). He told me that they would soon make their interest payments because they had a new manager that was allowing the local people in, and anyway there was always that additional block of land to sell off in Lambert Street. Later I was to discover that the "Resort" was situated in a down market housing estate in Launceston. It carried a valuation of around \$4,400,000. The "Capitalization Method" had been used for this valuation. It promised around \$600,000 p.a. return from accommodation. Four units had been built on the site ( one wasn't fully completed or fitted out ), and unfortunately they could not be let, either short or long term due to the fact that the Launceston Council had given approval on condition that the swimming pool be completed within three years and this hadn't been done.

The Launceston City Council passed on a letter to me addressed to the Borrower, explaining to him that he still had time to lodge an application to extend the permit and if he didn't the units would have no approval and would need to close.

This letter was dated 29th January 1999. At that time Paul Cook and Associates were handling the liquidation of the Complex.

The Borrower ignored the letter. Paul Cook and Associates should have been aware of it. PWB were definitely aware of it, they had the valuation in their office and other papers pertaining to the Complex. So, they either ignored it, forgot about it, or simply didn't care enough about their investor's money to do anything about getting the extension.

After that I decided to visit the Complex. When I arrived I asked to speak to the Manager. The Cook came out and introduced himself and told me he was the Cook but also he was the manager and in charge of the Complex. I immediately reported this to John Turner. He told me the Cook was acting as Manager only until they appointed a new Manager.

A few weeks later I phoned Sunny Hills to see if the new Manager had been appointed. I tried for several hours and the telephone didn't answer, so I phoned the 50 and over Club nearby to check if Sunny Hills was still operating at all.

The staff at the Club informed me that the Sunny Hills staff had become disgruntled because they hadn't been paid so they took what they could in lieu of wages and closed the Complex down. Paul Cook and Associates had already been appointed by PWB to handle the liquidation and they were supposed to be in charge of the Complex. I phoned them but no-one would speak to me. I then phoned PWB and spoke to "Joe" ( John Turner was not taking my calls anymore), Joe said "Christ, I had better run this past Turner straight away". When I phoned back to see what was happening with my investment, Turner had left a message to tell me not to worry because Paul Cook had gone to change the locks.

I was becoming increasingly concerned about my investment and the authenticity of the actual valuation. In the most recent valuation, the valuer had increased the Sunny Hills Tennis Centre by \$70,000 in just five months. It was valued at \$250,000 in June 1997, and then by November 1997 it had increased to \$320,000. I couldn't see any obvious changes to the property so I phoned the valuer ( Bob Jones) and asked him why it had increased so much in value in such a short time. He told me that the Borrower wanted to lease or sell the Centre to a tradesman who had done work for him and he owed money to. The increased sale price would allow him to pay the debt back and also achieve his sales price. When I complained about that, Bob told me that he wasn't so well off because the Borrower hadn't paid him for the valuation and he wasn't likely to get it now.

I am still left puzzled as to how this valuation can be called Independent when the Valuer is paid by the Borrower and the Borrower's Accountant supplies the figures for the Valuer to base his valuation on.

Eventually, the block of land in Lambert Street sold for \$8,000 (valuation \$12,000). I never received any return on my investment. I received a letter from PWB to say the proceeds would be spent on marketing the Complex. Eventually, Sunny Hills sold for \$820,000 with a principal outstanding of \$2,570,638.41. PWB deducted \$200 from every investor to lodge a writ on Bob Jones and take him to court. I asked for my \$200, saying that I did not wish to proceed, but to this date my \$200 has not been returned to me.

When my money was placed in this Complex on the 21st November 1997, the Borrower was \$108,868.53 in arrears.

In June 1999 I received a letter from PWB to say the Archers Manor Borrower was negotiating to sell a portion of Archers Manor and it would be best to let him arrange a sale if possible rather than evict him and have a mortgagee sale. They went on to say "However, we are proceeding to obtain possession through the courts of the Tahara Property for the purposes of obtaining a mortgagee sale." We are also proceeding to sue for principal and arrears of interest. They did lodge a writ on the Borrower to claim \$1,900,000 in unpaid interest. The Borrower's Solicitor immediately discharged the writ.

Once again, I became concerned about my investment so I paid a visit to Archers Manor. On checking in I noticed the only section of the Hotel that was in operation was the reception office and that was locked and closed by 4pm. When darkness came there was no external lighting, the whole Complex was pitch-black dark. I thought it strange because the Complex consisted of a bistro, disco-night-club, two bars, convention centre as well as the accommodation.

The next morning I went to the reception office and inquired about it all and found I was actually speaking to the Borrower. He told me that he wasn't interested in it anymore and wanted to retire, saying I should buy it and run it because I was younger. Not knowing that he was talking to an investor of PWB, he confided in me, saying that he did owe a "bit of money to a few solicitors", but we could work something out to the effect that perhaps he could leave some money in it and become a "Silent Partner". When I paid my account for accommodation he said he did prefer cash and added that if I took the Complex over there was some extra commission involved in collecting money for accommodation.

Later on I visited Deloraine to look at the Tahara Property. I called to the local Deloraine office (Roberts<sup>REAL ESTATE</sup>) and inquired about it and showed my interest in buying it. The salesman (manager, auctioneer) explained to me that it wasn't listed for sale there anymore. It had been given to a Launceston Agent. I asked him if he could phone the owner and arrange an inspection anyway, and perhaps work in conjunction with the other agent. *IN LAUNCESTON.* He agreed that that would be a good idea. When he phoned the Borrower the price tag became \$1,200,000 instead of the real price of \$650,000 neg.

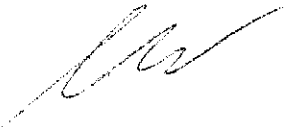
Nearly three years have passed now and there is no "For Sale" sign on either Tahara or Archers Manor. To my knowledge Archers Manor has never been publically offered for sale. About a year ago the Borrower leased the hotel section and kept the revenue from it. In February 2001, PWB managed to retrieve the money from the lease and some of the accommodation money. They sent me approximately \$500 for interest off the arrears.

About the same time I received a letter to say that the recent part payment of interest arrears is a result of income streams now flowing from the healthier business turnover and we expect there will be a steady reduction of interest arrears from now on.

I phoned PWB on the 2nd May 2001, and spoke to Michael Burke. I inquired as to when the May interest payments would be sent out. He told me there may not be any this quarter and if there is there may not be enough money to distribute to the investors. I told him I wanted a payment however small. He wouldn't answer me, so it now means I will have to telephone every day to try and get an answer as to whether PWB are still collecting the money from the lease or whether the Borrower is collecting it again and not paying it to PWB.

I have had no explanation from PWB as to why the Borrower's Solicitor could take the writ off. I feel I have been abandoned by PWB. I invested with them because I trusted them. I fully intended to cut my work load back to part-time at 50. I am now 52 years old. I am still working full time and feel very stressed because I can't get a pension until I am 60 years old. There is a good chance that Tahara and Archers Manor may still be unsold even then, unless some more vigorous advertising is undertaken on them.

I am really not sure where to turn to for advice and help next.



Cheryl Harris