

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

**Main Inquiry  
Reference (a)**

**Submission No. 136**

**Submittor: Mr John Woods**  
c/- Moore Robsons  
Chartered Accountants  
30 Davey Street  
HOBART TAS 7000

JWW:LIQ:TAPPING>Select C'tee  
- 8 May 2001

The Secretary  
Senate Select Committee on  
Superannuation and Financial Services  
Parliament House  
CANBERRA ACT 2600

Dear Sir,

**D.W. & I.M TAPPING PTY LTD (IN LIQUIDATION)**  
**ACN - 051 859 682**

Notwithstanding that you have called for submissions in respect of "solicitors' mortgage schemes in Tasmania" in connection with a public hearing to be held in Hobart on 18 May 2001, I submit that the Committee should also look at other mortgage schemes of the type formerly conducted by solicitors.

I believe that D.W. & I.M. Tapping Pty Ltd (now in liquidation) is one such company.

Briefly –

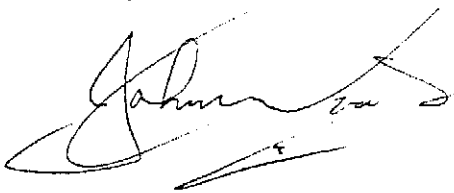
- 1 Following the petition of the Australian Securities & Investments Commission, the Federal Court of Australia ordered the winding up of the company on 23 February 1999 and I was appointed liquidator.
- 2 The company carried on a business whereby it accepted money from depositors, pooled the funds, and lent out the monies purportedly on first mortgage security.
- 3 There were four key loan-security measures put forward by the directors of the company to give comfort to investors. These were –
  - 3.1 All lending to be secured by way of first mortgage.
  - 3.2 Borrowers to be carefully "vetted" to ensure that they possess the capacity to comfortably meet their obligations under the loan.
  - 3.3 Loans to be restricted to 67% of "LVR" (assumed to mean Loan Valuation Report) unless prior approval is obtained from the Investor – how this approval was to be obtained in a pooled fund without contacting every investor is not clear.
  - 3.4 All loans in excess of 67% of "LVR" to carry mortgage insurance.The directors did not adhere to these security measures.
- 4 As at 30 November 1998 depositor's funds were frozen at \$1,736,281.
- 5 As at the date of my appointment, I opined that the return to investors would be less than 50¢ in the \$. I have not changed my opinion.

- 6 The largest single loan on the company's books is a loan to G W Stanton & Associates Pty Ltd. I believe that this can be classified as a related party loan because some (but not all) of the directors are common to both companies. Although it was purported to be secured by second mortgage (despite the assurance to depositors that all loans were to be secured by first mortgage) I can find no record of the second mortgage having been registered. I understand that the first mortgagee, Tasmanian Trustees Ltd, has now realised on its security and the property has passed to a third party.
- 7 One of the directors of D.W. & I.M. Tapping-Pty Ltd, Mr Jon Jovanovic, borrowed \$30,000 in August 1996 and \$9,000 in November 1996. The ledger card carries the loan name of "Doyle", and is the only ledger card to be in a name other than that of the borrower. The address on the ledger card is "7 Charles Street, Moonah". This address cannot be physically located and, in all probability, does not exist. The loan balance (including interest) at 30 June 2000 was \$71,303. Perpetual Trustees Australia holds a 1<sup>st</sup> mortgage over the security property. No payments are recorded as ever having been made on the loan. No mortgage documentation had been made available to me prior to my bringing proceedings against Mr Jovanovic for repayment of the loan and interest. This purported mortgage document has been signed and dated only by Mr Jovanovic. No external evidence (eg a stamp duty receipt) as to its date of preparation has been made available. A registry search indicates that no mortgage was registered by the company to secure the loan. Following Mr Jovanovic's admission in the Federal Court when he was under oath that an unregistered 2<sup>nd</sup> mortgage in favour of the company did exist, in order to protect the company's interests, I lodged a caveat over the property on 4 March 1999. Four days later, Mr Jovanovic lodged a transfer to attempt to pass full title over to his spouse. Mr Jovanovic now claims that the debt no longer exists in that the amount owing by him (to the depositors) has been offset against fees owed to him by the company.
- 8 In addition to the loss on the Stanton loan, several other property sales have resulted in losses to investors aggregating some \$400,000.

I commend the matter for the attention of your Committee

Should you require any further information I can be contacted by e-mail at [jwoods@moorerobsons.com.au](mailto:jwoods@moorerobsons.com.au) or by telephone on 03 - 6223 4799.

Yours faithfully



(John William Woods)  
OFFICIAL LIQUIDATOR of D.W. & I.M. Tapping Pty Ltd (in liquidation)

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