

## REVIEW INTO FINANCIAL DISPUTES AND COMPLAINTS

My name is \_\_\_\_\_ and I am an investor in Banksia Securities Ltd. (in receivership), also a committee member with 6 others assisting the original receivers McGrathNicol and now assisting the Special purpose receivers Ferrier Hodgson. This Receivership has been a very lengthy and complex affair. I am most disappointed we have not been granted a teleconference with the Panel as there is so much to discuss. The other disappointment is that we only received notification yesterday, Wednesday January 25<sup>th</sup> of your review which has not given us as a Committee a chance to submit a group submission. Hopefully some fellow committee members may put in a submission.

Banksia Securities went into receivership some four and a half years ago, owing around 16,500 investors some \$670million. Around 85% of investors were in the age group 55 years plus, around 10% under 30 years and 10% in between. As many investors in the older age range were mostly retirees relying on interest payments to either fully or part fund their retirement income, it was devastating to them and myself (aged 81) and my wife. We understand from reports that at least 3 people suicided and the impact of the collapse was financially devastating. This was particularly so in Kyabram and to a lesser extent in Shepparton, Hamilton, Warrnambool, Echuca and Ballarat where in most of these towns this investment was promoted by legal firms, who I might add were also victims themselves.

At this point in time McGrathNicol have paid investors 80c in the dollar. In recent months Ferrier Hodgson through Court proceedings have recouped some \$13.25million which will give investors another 2c in the dollar in coming days. This 2c in the dollar has been funded from Professional Indemnity Insurance cover that Directors, Accountants, Company Solicitors, Auditors etc had. We have been advised by Ferrier Hodgson that most of the above individuals had only around \$10million in cover each. We all have \$20million legal liability Cover on our cars and homes, therefore all of us Committee members were shocked and dismayed at the low amount of Professional Indemnity Cover. A friend of mine informs me that he had \$50million cover when he was an insurance agent. I feel that Professional Indemnity Insurance Cover for anyone in charge of the public's monies should be more in line with the amounts of money entrusted to them. I realize that premiums might be higher but that may depend on whether policy premiums are placed through private insurers or premiums are paid to a Government Agency and backed by the Government.

I feel that if Government looked very closely at the trickle down effects of these types of financial collapses, it might be horrified as to the financial costs to Government. In my case as a part pensioner my pension increased because of the loss of capital and reduction in my asset base. As there were thousands of retiree/pensioners involved in Banksia, this would no doubt be repeated many times over. The other effect on government is when people haven't got their interest earnings to spend, local businesses suffer and there is a drop in GST, income taxes and employment.

I would like to add that to date, the receivers have taken out of our funds over \$1million to supply ASIC with information and it would appear at this junction ASIC don't seem to have done much in relation to charges against Directors etc. One of the reasons that the Special Purpose Receivers only got \$13.25 million was that the insurers were keeping monies back for a fighting Fund for the directors, auditors etc for when ASIC takes them to Court. The Committee think we only got about 50% of the insurance cover, this aspect certainly needs enquiring into. To date the Receivers have also deducted

from our funds over \$13million, but this may be recouped if we win a Court case scheduled for March 17 2017 against the Banksia Trustees, where we also hope to recoup the remaining 18c plus interest.

Trust Co have lodged a claim for nearly \$4million for fees incurred during the Banksia Receivership. The Committee unanimously refused to authorize McGrathNicol to pay this claim. Trust Co took their claim to Court and lost but I understand they are lodging an appeal. Had they been doing their job properly in the first place, by not allowing the merger of Statewide into Banksia in around 24 hours instead of 90 days as normal due diligence requires, this debacle may never of happened.

I trust that you have notified Receivership Companies of your Inquiry as I would imagine that they could have a lot to offer from their experience.

If you require further information please feel free to contact me on 03 53342965.

If you require verification of what I have submitted please contact Joseph Hayes on 02 93382620 or Tony McGrath 02 93382610 at McGrathNicol original Receivers.

Or John Lindholm 03 96045106 or Paul Harlond 03 96045112 at Ferrier Hodgson, Special Purpose Receivers.

If you wish to contact other Committee members they are as follows

Acknowledgement of receipt of this submission would be greatly appreciated.

Yours faithfully,