


The gagging of Storm

Members will be only too mindful of those events leading up the destruction of our Investment Portfolios representing a lifetime's effort, sacrifice and labour.

You will all recall that during the period of volatility in the Share market in the last 3 months of 2008, there was not one among us who was not vitally concerned about the welfare of their Investment. It is also fair to say that we might have reasonably expected a Margin Call in accordance with our understanding of the processes which controlled our investment. This 'safety net', although not without attaching some pain, would have at the very least, salvaged a portion of our investment enabling us to live and fight another day. Maybe we would have been a bit financially battered and bruised - not unlike many millions of others who had followed Equities based Investments, but certainly not on life support as we find ourselves now.

It is now a matter for the historical record that the Investment model did not function according to our expectation, for reasons we are all in the process of determining, causing us all to be in the Financial devastation, emotional distress and hardship we are all experiencing today.

Another issue associated with the above events which I would suggest to members is the singular most issue that, from my and other members' of the Committee experience, compounded enormously the shock, despair, anger and bewilderment felt by us all during that critical time, is that surrounding the inability of Storm Clients to remain in touch with their Advisers or the failure of Advisers to maintain contact with their Client. It is our belief that it was the 'vacuum' so created that contributed significantly to SICAG being as remarkably successful as it was in engaging with Storm clients and harnessing the combined strength of you all to embark on our campaign for justice.

 I do not need to remind you of the emotional turmoil that existed in that period leading up to Xmas after our portfolios had been sold down. It was a time when most of all we needed answers and the support of our Advisers. There was much conjecture as to why this was not available- in the first instance it was thought that our advisers were deliberately avoiding all contact although there was also strong evidence (although unsubstantiated at the time) to suggest that Storm had been prohibited from engaging with their clients by ASIC. This confusion persisted until the occasion of the inaugural meeting of SICAG on 20 January. When, in attempting to substantiate if ASIC had in fact delivered this directive to Storm, it was denied by the ASIC representative at the Meeting.

Clearly this did nothing to dispel the matter or the emotion it was causing. It wasn't until early March that further enquiries led to an email being sent to a key person within ASIC, identified as being able to clarify the matter. Then on Wednesday 15 April I was contacted by that person who confirmed that ASIC had imposed a restriction on Storm prohibiting them from engaging with their clients. The reason for this prohibition was that ASIC had become aware that Storm were advising their clients **NOT** to pay their negative equity debt to Colonial and it was their considered opinion that this could be of further detriment to their circumstances through having interest accrue on the debt. I am compelled to say at this point that this reason is spurious if not outrageous. What of all the Storm clients who were with Macquarie and all others who were not sold down in negative equity or had other products under management by Storm. At a time when contact with their Advisers was of paramount importance, they were victimised by default. Furthermore I have not heard of anyone who was advised not to pay their debt. They might have been told to get a complete reconciliation before paying it and in any event, most clients could not have paid it even if they had wanted to- and still can't!

This restriction was enforced for the period from about the middle of December through the Xmas period. Members will be aware that from Xmas Eve Storm Offices, as is the usual practice, operated on a limited staffing arrangement. It should be made clear that it has been confirmed that contravention of this restriction would have resulted in severe sanctions being imposed by ASIC on any Adviser found in breach of this directive.

It was soon after this Xmas recess on 8 January that CBA foreclosed on Storm Financial causing them to go into voluntary administration. As a result, the administrators took control of Storm premises on 12 January and simultaneously the Financial Planning licenses of all Storm advisers were revoked by ASIC. This prevented them from engaging in any form of contact with clients, a breach of which would also have resulted in severe penalties.

A further key aspect of the above events was clarified on Monday 27 April. It was revealed, after some prevarication by ASIC, that they had reacted in 'gagging' Storm as a result of information brought to their attention by the CBA.

This description of events is intended to provide an objective account of events surrounding which a lot of SICAG members have been in a dilemma causing much anger and distress. I can't guarantee that the above has served to alleviate those feeling but at the very least, you now have the truth.

Mark Weir,

Co Chairman SICAG