

**SELECT COMMITTEE INTO THE
FINANCE BROKING INDUSTRY IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
FRIDAY, 28 JULY 2000**

SESSION 2 OF 4

Members

**Hon Ken Travers (Chairman)
Hon G.T. Giffard
Hon Ray Halligan**

WEBB, MISS KERRY LYNNE,
Investor,
residing at 13 Trimdon Street,
WAGIN, examined:

The CHAIRMAN: I declare the hearing open again and welcome Kerry along. If I can, before I go through some formalities, just introduce my colleagues, the Honourable Ray Halligan and the Honourable Graham Giffard, who are on the committee with myself. On behalf of the committee I would like to welcome you to today's meeting. To begin with, could I ask you to please state your full name, contact address and capacity in which you appear before the committee.

Miss Webb: My name is Kerry Lynne Webb. I live at 13 Trimdon Street, Wagin, and I am appearing here today as a former investor of Global.

The CHAIRMAN: Okay, thank you. You will have signed a document entitled, "Information for Witnesses." Have you read and understood that document?

Miss Webb: Yes, I have.

The CHAIRMAN: Thank you. These proceedings are being recorded by Hansard. To assist the committee and Hansard, could you please quote the full title of any document you refer to during the course of this hearing for the record. A transcript of your evidence will be provided to you. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before speaking about the matter. Further, the committee may of its own motion resolve to take evidence in closed session. The taking of evidence in closed session may be relevant where, for example, the committee believes that the evidence may breach term of reference 3 of its inquiry, which states -

The committee in its proceedings avoid interfering with or obstructing any inquiry being conducted into related matters and in particular inquiries by -

- (a) the police;
- (b) any liquidator or supervisor of any company;
- (c) the Gunning inquiry;
- (d) Australian Securities and Investments Commission; or
- (e) any prosecution.

However, even if evidence is given to the committee in closed session, that evidence will become public when the committee reports on the item of business to the Legislative Council unless the Legislative Council grants an ongoing suppression order at the time that the committee tables its report.

Obviously if there was something in those circumstances, you could ask us to seek a suppression order from the council. Thank you very much for coming along and I would like to ask you if you would like to make an opening statement to the committee.

Miss Webb: Yes, I would, thank you.

The CHAIRMAN: If you would like to proceed.

Miss Webb: Yes. First of all, I would like to thank the committee for the opportunity to give evidence in support of and in addition to my submission. My mother and I have been involved in many first mortgage investments and had 11 unresolved investments through Global Finance when Global closed its doors. I have six volumes of documents and correspondence relating to these investments. I am aware that some other investors will be providing detailed evidence alleging impropriety by brokers, borrowers and valuers and it is not my intention to go into specific detail of every investment. Instead, I have endeavoured in my submission to indicate where the Ministry of Fair Trading and the Finance Brokers Supervisory Board have failed in their duty to investors. These failures have been detailed in my submission. These failures meant that investors were operating in a market which was not fully informed and were placed at unnecessary risk.

I also wish to address the problems faced by investors subsequent to the failure of broking businesses. These problems include -

- (1) The survival without access to income and capital.
- (2) Physical and mental stress. Many investors are quite elderly and totally unable to face the stress and uncertainty in their final years.
- (3) Physical risk. On occasions we have been in fear for our safety because of the background of some of the borrowers who had access to information about us and made contact with us.
- (4) Being forced to take over control and manage these investments and property developments themselves. We are not lawyers or experienced property developers and we do not have the expertise, experience and financial resources to deal with borrowers and projects. I will give an example of problems associated with just two of these syndicates. Garon Pty Ltd: this is a project by Mr Dominic Casella for the construction of 37 factory units in Kalgoorlie. The units have been built but cannot be sold or fully rented due to the downturn in the economy of Kalgoorlie. Mr Casella has refused to renew the insurance on the units and the investors are unwilling, and in some cases unable, to commit further funds to that project. At present, the units are mostly vacant and totally uninsured, which is of a concern to me; Frontier Corporation Pty Ltd: this property in Toodyay was to be developed by Mr Joe Lacopo, who defaulted on the loan in July 1998. The investors have taken possession of the property but are unable to secure the property, nor can they prevent the unauthorised removal of gravel from an extensive deposit on the site. In this regard, I believe that the

Finance Brokers Supervisory Board should have exercised their power and duty to appoint a supervisor of Global as soon as Global's financial problems became apparent. Instead, they waited five months, by which time the investors had been forced to act on their own to attempt to salvage something from their investments. If a Government-funded supervisor had been appointed immediately, the supervisor would have been better qualified than the investors to manage the projects in an orderly and professional manner.

- (5) The investors in Global have limited recourse to recover their funds through legal action. Global is in liquidation and has no professional indemnity insurance, nor does the valuer responsible for most of the inflated valuations. Many of the borrowers have now declared themselves bankrupt and by the time action is contemplated against the other borrowers, it is almost certain that any funds under their control will be beyond the reach of the investors.

The ministry and the Government have done nothing to help investors either before the collapse of the brokers or subsequently. They appear to be more intent on protecting their own position rather than offering help to the victims of their inactivity. The only source of assistance to investors has come from the Global Investors Coordinating Committee and Denise Brailey of the Real Estate Consumers Association. In my opinion, Denise Brailey has been more effective in investigating this industry than the entire Ministry of Fair Trading.

Earlier in this statement I said that I did not intend to go into specific detail regarding all of our investments. I have attached correspondence between our solicitors, Marks and Sands, and Blackburne and Dixon regarding an investment with Turner Corporation. This correspondence clearly indicates mismanagement of the investment at the very least by Blackburne and Dixon. It was a common theme throughout these types of investments and the formula was repeated in many of our current investments with Global. Each failed investment has separate and specific problems which I am sure that other investors will present to you in detail. However, the consistent scenario involves unauthorised use of investor funds held in broker's trust accounts, including taking funds for personal use and advancing funds from one project to another project involving the same borrower. The incomplete registration of all mortgagees on certificates of title is another consistently occurring problem.

In my submission, I have demonstrated that the failure by the regulatory bodies should lead the Government to accept its responsibility and offer full compensation. During the past 17 months, some investors have died and some, unable to carry on any longer, have lost their farms and their homes. It is hard to imagine a more callous, cruel and cowardly act by any Government than to not only set up the circumstances to cause this disaster in the first place, but then to sit on their hands and ignore the situation whilst we, the victims, have been left bleeding to fend for ourselves. Thank you.

The CHAIRMAN: Thank you. Just to kick off with a question, you have obviously got a number of investments through finance brokers. Is that correct?

Miss Webb: All of our money is currently tied up with Global Finance. As I have stated in my submission, we have been investing in first mortgages for approximately eight years. Our initial investments were with Blackburne and Dixon and I have had some dealings with other brokers

during the whole period of the eight years.

The CHAIRMAN: Right, but how many investments would you have at the moment that are locked up; I mean, in numbers rather than - - -

Miss Webb: Unresolved ones?

The CHAIRMAN: Yes.

Miss Webb: Probably I have got a hard core of about five or six, but we had 11 projects altogether at the time when Global closed its doors.

The CHAIRMAN: Just in terms of the time frame for those investments, when did you actually go into them? What sort of time frame? Were they like 1996, 97, 98?

Miss Webb: 97 some of them were started, 98 the others were, so between 97 and 98.

The CHAIRMAN: Early 98? Late 98? When was the last investment you made? When would that have been? Do you have any idea?

Miss Webb: Probably about mid-98.

The CHAIRMAN: I am just going through your submission. I have some questions.

Hon G.T. GIFFARD: Just on that question -

The CHAIRMAN: Yes, so if anyone else has a question?

Hon G.T. GIFFARD: You said you have extra documents. Would those documents provide that information?

Miss Webb: Certainly, yes. I have copies of all the original letters or proposals pertaining to the investments that were involved with Global.

The CHAIRMAN: The correspondence that you have just provided to us today relates to some deals with Blackburne and Dixon.

Miss Webb: That is correct.

The CHAIRMAN: Are they all now finalised?

Miss Webb: Yes.

The CHAIRMAN: They are.

Miss Webb: Yes.

The CHAIRMAN: They are just to give an idea of some of the problems though that you faced.

Miss Webb: I just wanted to demonstrate one instance of one of these projects that went wrong when we were with Blackburne and Dixon and which fortunately our solicitors were successful in retrieving for us at the time. Unfortunately that money was reinvested in Global so we are no further advanced.

The CHAIRMAN: At the time, did you raise any complaints to the Finance Brokers Supervisory Board about the Blackburne and Dixon deal or did you see anything in there that might have warranted - - -

Miss Webb: The first time that I experienced problems with Blackburne and Dixon was in 1996 at which time I also had to get our solicitors Marks and Sands to retrieve that money out of Blackburne and Dixon. In the course of doing so in 1996 and speaking to an investment adviser one day, he advised that I should get in touch with the Department of Fair Trading. I did telephone them at the time. They told me that I would need to put my complaints in writing. They said that they would send me some forms to fill in, which I did. I sent them off. I never heard any further about it and because we had a solicitor acting in these matters at the time and I felt that he was doing a pretty good job and my major concern was the retrieval of our money, I did not pursue it any further, but certainly at the time when I spoke on the phone to the Ministry of Fair Trading, I got the impression that perhaps they were overloaded with work and I was just another one.

The CHAIRMAN: Yes, but you did actually in 1996.

Miss Webb: I did contact them.

The CHAIRMAN: They sent you the forms and you sent them back.

Miss Webb: Yes.

The CHAIRMAN: You completed a complaint form about what you had faced in terms of Blackburne and Dixon.

Miss Webb: Yes.

The CHAIRMAN: I realise it is a fair while ago.

Miss Webb: Yes.

The CHAIRMAN: Do you have any sort of memory of the sort of issues you raised in that complaint when you lodged it? We will certainly try and see if we can get a copy of it, but do you have any memory of the time?

Miss Webb: Certainly I went to the extent of naming all the borrowers in the projects that I was involved with with Blackburne and Dixon. I cannot actually remember the actual complaints that I made at the time. I would have to probably look it up on one of my considerable files.

The CHAIRMAN: No, that is fair enough. I realise it is a long time ago, but I wondered just in general terms if you were able to remember sort of the nature of the complaints that you were raising. Was it the improperly spending the money or the fact that it was overvalued? Do you have any memory of the nature of it?

Miss Webb: At the time I did not have any real realisation, I suppose, that these properties were overvalued.

The CHAIRMAN: No, I was just using that as an example of the nature of some of the complaints.

Miss Webb: It was simply the fact that we had these loans that were in default. Some of these investments were some eight or nine months behind in their interest that we had not received. Some of them were past their expiry date and I was just having terrible trouble in even trying to retrieve this money.

The CHAIRMAN: So it was just generally the lack of action.

Miss Webb: I did not really realise what the reasons for it were at the time. In fact I believed that Blackburne and Dixon were either incompetent or had just plainly mismanaged our funds in some way, but I had no idea that this thing was industry wide. I was blaming Blackburne and Dixon, the firm. I did not realise that it was spread throughout all the brokers. I have a great deal more knowledge now, of course.

The CHAIRMAN: Fair enough. Do you have some questions? I am just going to go through my list here.

Hon RAY HALLIGAN: Yes, just a few questions, if I may.

Have you been before the Gunning Committee?

Miss Webb: No, I have not.

Hon RAY HALLIGAN: Not as yet. As far as the name "Finance Brokers Supervisory Board" is concerned, what is your understanding of the word "supervisory"?

Miss Webb: I believe that "supervisory" means exactly what it implies. The word implies that they are there to supervise and to perhaps discipline the brokers; keep them in line.

Hon RAY HALLIGAN: Has anyone explained the Finance Brokers Act to you, your solicitors, by any chance?

Miss Webb: No.

Hon RAY HALLIGAN: So no-one has explained to you what "supervisory" means in the context of the Act.

Miss Webb: No; I have a copy of the Act at home but no-one has fully explained it to me.

Hon RAY HALLIGAN: You have had some dealings with finance brokers now for a number of years; since what, about 96?

Miss Webb: My first investment to do with finance brokers would have been in about February or March 1992 and the first one I made was with Blackburne and Dixon. As a matter of fact it was with Greg and Corrina Johnson. I remember it well.

Hon RAY HALLIGAN: We often do remember those first things that we do, that is true. Can you tell me what prompted you to invest moneys through the finance brokers?

Miss Webb: We were looking for a secure place in which to place our money. Naturally I think most people look for the best return that they can get with as much safety as what they can get. We had all of our money in term deposits with the bank at the time. You would be aware that back in 91-92 bank rates were extremely low; something like about four, four and a half per cent. I took advice from our accountant and financial planner. He was the one that suggested to me that we look at first mortgage investments. In fact he suggested the names of a few brokers for me to contact. The first contact I ever made with any of the brokers that he recommended to me was John Bell, but I never pursued that in any way. I never even had a proposal from him.

Hon RAY HALLIGAN: When did you first become aware of problems? I am assuming that since 1992 up to this point that you have just explained that you had had no problems and so were reasonably comfortable with continuing down that path of investment.

Miss Webb: Sure, yes. From 1992 until 1996 I had experienced no problems whatsoever.

Hon RAY HALLIGAN: I think you have it in your submission but you may like to express it for the sake of *Hansard*. Now that we have the benefit of hindsight, which is a wonderful thing, what could have been done to stop these sort of problems occurring?

Miss Webb: I am sorry, I am not quite sure if I know where you are coming from.

Hon RAY HALLIGAN: We are currently having difficulties. Part of our terms of reference are to inquire into and report on reasons for the losses associated with the finance-broking industry and to consider the adequacy of existing legislation to prevent a reoccurrence of the events. I am just asking if you believe you are in a position to advise us from your point of view, as I say, with the benefit of hindsight, where you believe things may be changed.

Miss Webb: From my point of view I do not believe that there was anything wrong with the legislation or the Act, as I have read it. I just simply believe that it was not enforced or it was not administered correctly. If, as the auditors claim, as I have read in news reports, they made qualified audit reports, why on earth was something not done about it? How come nobody picked it up? I have a copy of some of the finance brokers' news articles at home from their magazine in which they are telling brokers to expect them to do random audits or random inspections, that type of thing. Surely if these things had have been carried out, some of these irregularities would have been picked up. The other thing is that I cannot understand why they did not warn the public. If they knew that something was wrong, why did they not warn the

public to get independent valuations if they saw that as being the problem? It never occurred to me to go and get an independent valuation. No-one ever suggested that to me, and what was put forward to me in the proposals I took on trust. I just believed that it was correct. I mean, the brokers were supposed to be licensed. The valuers were licensed. I do not know what more I can say than that really. I think there was a big mistake, as I have already mentioned, in the fact that they did not appoint a supervisor to Global immediately rather than waiting five months. I think that caused tremendous problems for a lot of us.

Hon RAY HALLIGAN: I think that type of thing is still being investigated to some extent through Gunning to find out exactly what did go wrong there, but I think you would agree you would need to be in a reasonable state of knowledge, knowing full well that something was definitely wrong, rather than bringing someone's name possibly to the public when nothing had gone wrong.

Miss Webb: Yes, except to say that if they issued a warning to the public inasmuch as warning them to get independent valuations because there may be a problem, surely any of the brokers that were doing the right thing would not have had anything to worry about.

Hon RAY HALLIGAN: I would expect though, Kerry, that valuers would say to you, as a profession, that they are professionals and had it been said that everyone should go out and obtain an independent valuation, what are we saying to those people that had valued the property in the first place?

Miss Webb: That they are incompetent, which is precisely what Mr O'Connor was apparently.

Hon RAY HALLIGAN: That we do not know. He has not been charged as yet, has he, or not found convicted?

Miss Webb: He has not been convicted. He has been charged. This has been the problem with a lot of our investments that we are experiencing. I mean, it is quite obvious now, in hindsight, that these properties were overvalued, to me at least in the investments that I am involved with. We cannot get anywhere near the price for those properties that we were told they were valued at at the time.

Hon RAY HALLIGAN: I take it you were not in a position to view these properties yourself and so you had to rely on these sworn valuations.

Miss Webb: Yes, although I might add that in the early days when I began investing say through Blackburne and Dixon, for instance, often if a property was in Perth in the metropolitan area, in an area that I was perhaps familiar with or easily able to get to, if I came to Perth I would certainly go and have a look at the property.

Hon RAY HALLIGAN: Would you say that you were reasonably happy with the valuations of those particular properties that you were able to view?

Miss Webb: Yes, but then I am not a valuer. I have no idea of what values are in the metropolitan area. I might be able to give you a better idea of what properties might be valued at in my own area where I live, but not in the metropolitan area.

The CHAIRMAN: Do you mind if I just interrupt? Just in terms of that, with the deals that you had, were you always advised that there was a valuation on the property?

Miss Webb: Yes.

The CHAIRMAN: In the main, were they indicating they were a full valuation rather than a market appraisal?

Miss Webb: Yes, they were reputed as being full valuations by licensed valuers. That was what was represented to us in the proposal letters.

The CHAIRMAN: You basically based your valuation on that representation that was made to you.

Miss Webb: Yes.

Hon RAY HALLIGAN: Did you ever receive a copy of the sworn valuation itself or was just mention made of it in the letter that you received?

Miss Webb: It was just made mention of in the letter. I do not actually recall ever having an actual copy of a valuation, although I may have somewhere along the line.

Hon RAY HALLIGAN: Of course you were looking for first mortgage investments.

Miss Webb: Yes.

Hon RAY HALLIGAN: Were you able to find that your name was included on the title deed as a mortgagee?

Miss Webb: Yes, on most of them they were, although I guess because we had been doing this for such a long period of time and as far as Global were concerned - we never experienced any problems with Global until July 1998, which was only some six or seven months before they went into administration, and you become a little bit blase perhaps because when you do not experience any problems, you do not go looking for trouble, I guess, and to the extent that when Global closed its doors we found that our names were registered on the title deeds on all but one of my mother's investments, which involves a property in East Perth which is Newrose Holding, a company that was being operated by Mr John Margaria and Nabil Sadek. That is one particular investment where there were, I believe, something like nine mortgagees who did not have their names registered on the title deeds. There are other syndicates where this has been a major problem with Global.

The CHAIRMAN: Sorry, just on that, you mentioned that the company was operated by the two people, one of them being John Margaria. I take it you made the investments or assisted your mother with the investments that were being made?

Miss Webb: Yes.

The CHAIRMAN: Were you aware that that company was associated to Mr Margaria at the time you made the investment?

Miss Webb: Newrose Holdings?

The CHAIRMAN: Yes.

Miss Webb: Yes, because it said quite clearly on the proposal that he - - -

The CHAIRMAN: He was a director.

Miss Webb: He was the joint borrower with Nabil Sadek and they were both guarantors.

The CHAIRMAN: I just wanted to check that that was clear to you at the time.

Miss Webb: Yes.

Hon G.T. GIFFARD: Sorry, can I just clarify that? You understood from that investment that the mortgage was held by the company. Is that what you are saying?

Miss Webb: The loan was made to a company called Newrose Holdings Pty Ltd, which was a company that was being operated by John Margaria and Nabil Sadek in partnership. That was my understanding of it.

Hon G.T. GIFFARD: Kerry, in your submission to us you talk on page 2 - it is noted as page 2 of your submission - about your correspondence with Government.

Miss Webb: Yes.

Hon G.T. GIFFARD: October 1999.

Miss Webb: Yes.

Hon G.T. GIFFARD: Did you have correspondence with Government or any arm of Government prior to October 1999?

Miss Webb: No.

Hon G.T. GIFFARD: The Finance Brokers Supervisory Board, did you have correspondence with them prior to 1999?

Miss Webb: No. As I mentioned before, the only time that I ever made contact with the Department of Fair Trading was in 1996 when I experienced problems with Blackburne and Dixon, at which time I telephoned them and, as I have already said, I did put in a complaint but I never heard anything further and because my solicitor I felt was doing more than an adequate job and was able to retrieve the money anyway, I did not pursue it any further.

The CHAIRMAN: If I could just interrupt on that, did you ever receive an acknowledgment letter or anything from the Ministry?

Miss Webb: No. It was like it disappeared into thin air.

The CHAIRMAN: Yes, but you are quite confident you had sent it?

Miss Webb: Yes.

Hon G.T. GIFFARD: Then you go on in your submission and talk about unanswered questions and one of them says that the Board has not satisfactorily explained why no supervisor was appointed until July 1999 and you have indicated to us today that that was, in your view, about six months too late.

Miss Webb: Mm.

Hon G.T. GIFFARD: Did you have any approach or did anyone on your behalf raise that issue with the Board at that time about when they would be able to - or is this an observation that you are able to now make after the fact or was it your view at the time, that you were saying to yourself, "When are they going to appoint a supervisor?"

Miss Webb: It was something that I was definitely - - -

Hon G.T. GIFFARD: Can you just explain to us what was going on at that time?

Miss Webb: Initially I think you would be aware that Global went into voluntary administration. That was I think on 19 February 1999. Some time in April the administrators of Global, who were PPB Ashton Read, held a meeting at the Italian Club in Perth for all the creditors, at which time they were made liquidators, and they naturally were looking to be paid their fees but they wanted to take their fees out of the trust account. That trust account of Global's only represented something like about three or four per cent of the total funds that Global had under management. Many of the investors that had funds held in that trust account were funds that had either just come out of an investment or were awaiting to be placed into an investment. Naturally they were highly irate at the suggestion that PPB Ashton Read wanted to be taking their fee out of the trust account because they believed that having not been involved in one of these projects, they should have been given 100 per cent of their money back. So we were then in this position where we had the liquidators of Global saying, "Well, if we're not going to be paid our fees, we're not going to do any work."

Hon G.T. GIFFARD: This is at the meeting.

Miss Webb: No, they did not actually verbalise that but that is, in effect, what happened.

Hon G.T. GIFFARD: You were there at this meeting, were you not?

Miss Webb: Yes, I was.

Hon G.T. GIFFARD: Yes.

Miss Webb: Yes, and in between then we had to wait for a supervisor. We were saying then that a supervisor needed to be appointed, at least the investors were saying that was what needed to be done, but there was this huge delay and we were fobbed off with all these excuses as to why it was so difficult for them to appoint a supervisor. One of the reasons that was given at the time - - -

Hon G.T. GIFFARD: When you say "the time", at the meeting?

Miss Webb: No.

Hon G.T. GIFFARD: Subsequent to the meeting.

Miss Webb: Subsequent to the meeting - is this excuse that we were not clients of the brokers. They just seemed to think it was a terribly difficult thing to appoint a supervisor.

Hon G.T. GIFFARD: How did they communicate that to you? Was this done in a letter? How do you know that was the message they were putting out? It is not clear to me.

Miss Webb: Mainly through our newsletters and things through both the Global Investors Coordinating Committee and PPB Ashton Read themselves.

Hon G.T. GIFFARD: You have copies of that.

Miss Webb: Yes.

Hon G.T. GIFFARD: I am trying to work out where your submission fits in all of this and where your experiences fit in all of this and I am not trying to discount some of the propositions that you are make in your submission, but I think it is fair to say some of the points you make in your submission apply to consequences or experiences of other people. Would that be fair? In particular I am, for example, looking at a question, "Why the Ministry staff failed to act on investor complaints in a positive an expeditious manner."

Miss Webb: Yes.

Hon G.T. GIFFARD: It is not your evidence that they did not act on yours.

Miss Webb: No.

Hon G.T. GIFFARD: You have just given evidence that you had legal assistance up until such time as Global caused you some difficulties and by then, of course, there were other procedures that had put in train that made complaints to the Board pretty well redundant in that sense. Is that your position, as I understand it?

Miss Webb: Yes. When I wrote that, I was not thinking particularly they did not act on my

complaint because I did not pursue it any further, but it is obvious when you have been to the number of meetings that I have been to involving these syndicates and spoken to as many as investors as what I have spoken to that there are a number of - and also it has been reported in the press as well that there are a number of investors that made complaints that were never investigated.

Hon G.T. GIFFARD: I think a photograph has been tabled. Can you just explain to the committee what the point of this photo is, where is it and what is it?

Miss Webb: The photograph is of the property referred to in the correspondence from Marks Healy and Sands at Marangaroo. I think Unigate Circle was the address of the property. It was a house in which my mother had \$65 000 invested at the time - sorry?

The CHAIRMAN: Sorry, keep going.

Miss Webb: It was a loan that was made through Blackburne and Dixon with a company called Turner Corporation Pty Ltd which, incidentally, happened to be Mr Keith Turner of the failed Teachers Credit Society, but at the time I was not aware of precisely who Mr Keith Turner was when we made the investment. The gist of it is that the loan was in default of its interest payments for something like around about nine months in which time I had been constantly on the phone to Blackburne and Dixon and had constant correspondence with them with every excuse imaginable as to why this property could not settle, but at the same time Blackburne and Dixon, in their correspondence, were representing this property to us as having been fully completed, built, the house was completed, and they were saying in their correspondence "is open for inspection every weekend and is listed with L.J. Hooker at the time for sale". At the time for sale it certainly was open for inspection, as you can see.

The CHAIRMAN: Yes, it is open for inspection all right.

Miss Webb: The fact of the matter was that we had not received interest payments on this property for some nine months. Because the property was at Marangaroo and I did not really know how to get there at the time, I did not make a point of going out and seeing this, but, as I have just explained, I had numerous telephone conversations at the time with Mr Carmelo Guida and also Mr Ken O'Brien from Blackburne and Dixon until I got thoroughly sick of it and decided on New Year's Day 1998 that I had better come to Perth and have a look at this property and find out precisely where it was and what was going on. That was prompted by the fact that I rang L.J. Hooker on one occasion and asked them how the sale process was going and the person responsible would not answer any of my questions, was very evasive and referred me back to Blackburne and Dixon. When I spoke to Mr Carmelo Guida on the phone and I explained to him that I would be seeking legal advice on this matter, he got extremely toey with me and said, "I beg you, Miss Webb. I beg you; don't start pushing the panic buttons yet. Just please speak to Mrs Blackburne on Monday." I then came to Perth. I inspected the property out at Marangaroo and the photograph that you are looking at is of that property. When I found it in the state it was, I was absolutely horrified. I then rang Mr Darren Miller from Marks Healy and Sands and asked if I could come in and see him that day. By that time I had the photographs of the property. I had brought all my proposal letters, documents, everything that I had with Blackburne and Dixon that related to that property. I think the rest of the correspondence is fairly self-explanatory. The fact is that Darren Miller contacted Mrs Kaye Blackburne on Monday. They had asked me to

contact her. Instead of that, Darren Miller contacted her. She explained to our solicitor that they had been aware since apparently October 1997 that the property was not finished when they had a valuation done on the property. As he says in the letter, she did not say why this information was not forwarded to you. Apparently Blackburne and Dixon then put forward some proposal to our solicitor that Peter Stannard Homes would complete the work on the house that was needed to be done in order for them to sell it. Our solicitor suggested to her that that was not at all satisfactory and we just wanted our money back. It took a relatively short time for us to get our money back after that once Mrs Blackburne realised how serious the situation was. Apparently from what I was told by Mr Miller of Marks Healy and Sands at the time, rather than holding the money in trust as Blackburne and Dixon stated they would do in the original proposal letter and issuing progressive payments to the builders as work was completed and inspected, somehow or other they paid that money to Mr Turner and of course when the builders were not being paid for the work that they were doing, they would down tools. Consequently that is how the property came to be in that state, uncompleted.

The CHAIRMAN: You mentioned that Blackburne and Dixon had advised you that the real estate agent was L.J. Hooker and you contacted L.J. Hooker and they were fairly cagey.

Miss Webb: Yes.

The CHAIRMAN: And referred you back to Blackburne and Dixon.

Miss Webb: That is correct.

The CHAIRMAN: Are you able to expand on that in terms of whether there was a relationship between, say, the real estate agent and the broker, that they knew what was going on but did not want to discuss it with you?

Miss Webb: It is very hard to say.

The CHAIRMAN: I know it was a long time ago too.

Miss Webb: It is very hard to say, except that you just constantly had been fobbed off with all these excuses. As my mother said to me at one stage, "Crikey. They must lay awake in bed at night thinking of new excuses." It was unbelievable, the things that they would tell you and yet, in a way, they seemed perfectly plausible but it seemed to go on for ever and ever and ever. The real estate agent was just particularly cagey. When I asked him had he had very much inquiry for the property, why it was unable to be sold and that sort of thing, he just said things like, "It was aimed at the first home buyers' market. The real estate market at the time in that area was very slow."

The CHAIRMAN: So he did not mention the state of the property?

Miss Webb: Not at all.

The CHAIRMAN: He continued to give you the impression that it was a completed property.

Miss Webb: Absolutely. He reinforced what Blackburne and Dixon were telling me at the time by saying, "The house is open every weekend for inspection."

The CHAIRMAN: You do not remember more details about it.

Miss Webb: I am sorry. I do not remember the real estate's actual name, except to say that I have requested from my solicitor - if I could please have my old files involving this particular transaction and others that they were following up in 1996 because I know that that type of information is held on his file and I may be able to get a hold of that material.

The CHAIRMAN: If you do get it, if you could provide to us any details about that phone conversation, who you were speaking to, which firm they were with and things like that, it would be certainly very useful.

Miss Webb: Yes.

The CHAIRMAN: In terms of that period in 1996, did the lawyer you were dealing with at any time suggest that there were bodies like the Finance Brokers Supervisory Board that you could take a complaint to?

Miss Webb: No. In fact I suggested it to him after I had been told about it by someone else. He just sort of said, "If you wish to make a complaint, yes, certainly go ahead. Put it in writing" and that sort of thing but he never offered to assist me in that.

The CHAIRMAN: But he did not try to dissuade you?

Miss Webb: No.

The CHAIRMAN: He just said it was up to you to do it if you want to do it.

Miss Webb: He did not try to dissuade me from it, although he did give me the impression that it would not be particularly helpful.

The CHAIRMAN: This is the lawyer.

Miss Webb: Yes.

The CHAIRMAN: In what way?

Miss Webb: I think he just thought at the time that it would be probably a drawn-out affair, that it would not have a great deal of results; that he could achieve quicker results in a quicker time.

The CHAIRMAN: You were basically after getting your money back and that was the thinking.

Miss Webb: Yes.

The CHAIRMAN: In terms of the sort of problems in the submission you have given us today, you are talking about the fact that you would have to take over the development of the buildings. I want to make sure I am getting this right. If there had been a supervisor appointed, they could

have done that and that you were having problems with things like unauthorised removal of the gravel. There is obviously a group of you involved in that investment, is there?

Miss Webb: Yes. There are six investors, including ourselves, in that investment. Each had \$50 000, equal shares of \$50 000 each in the loan.

The CHAIRMAN: Is the problem that it is just a vacant block at the moment or something?

Miss Webb: It is a piece of land. I think it is, from memory, something like 88 hectares or something like that at Toodyay. The borrower originally requested the funds to assist him to purchase the property and it had an existing gravel pit on it, with a gravel licence. He actually had a lease with the Toodyay Shire I understand for the supply of gravel. At that particular time, it has been suggested to me that the borrower did have someone actually living on the property in a caravan who more or less was a caretaker of the property but of course as soon as this loan fell into default and subsequent to an administrator being appointed to Global, the caretaker just disappeared. There is not adequate fencing as I understand it. There are no locks on the gates or anything like that. People just come in and out at will and take gravel from the pit. Even though we have had some communication with the Toodyay Shire where they have agreed that any money paid for the extraction of gravel should go to the investors as the loan is in default, as I said we have no way of monitoring that situation and for some strange reason or other that gravel pit has almost been mined to extinction in the last 17 months.

The CHAIRMAN: Is it that someone else is getting paid for it and getting the money or do you just think it is people just stealing it?

Miss Webb: Probably a bit of both but generally I would say that people are just stealing it.

The CHAIRMAN: In your submission to us you mentioned that you were "encouraged to believe in the safety of our investment because brokers and valuers were licensed and supervised by government regulatory authorities".

Miss Webb: Yes.

The CHAIRMAN: When you make that statement who are you referring to as you "were encouraged to believe in the safety"? Encourage by who?

Miss Webb: My accountant and financial planner for a start. Also when I started having problems in the first instance, even my solicitor told me that at the time.

The CHAIRMAN: That they were -

Miss Webb: Licensed.

The CHAIRMAN: - licensed and regulated.

Miss Webb: And that they were subject to being disciplined by the Finance Brokers Supervisory Board and the Ministry of Fair Trading.

The CHAIRMAN: There is a range of questions that I have seen. You have provided the correspondence that I think your accountant has had with the Premier. I also note your comments about your view that the State Government has an obligation, because of their failing to effectively compensate people like yourselves, to take over the site and have the mortgages assigned to the Government. You may for your own sort of tactical reasons not want to go down this path but I would be interested. Is one of the reasons that you are keen to get answers to those questions to assist you in a case against the Government?

Miss Webb: Yes, I guess so but apart from anything else, I think all the investors would like to know where the money has gone and how it disappeared. We would like answers to these questions. These people did not work hard all their lives to accumulate something to keep themselves in their old age just to find that it has disappeared into a big, black hole and nobody knows where and nobody knows why.

The CHAIRMAN: Obviously one of our terms of reference is legal redress for investors, so I am keen to try and find out whether or not you feel you are getting assistance from the Government in getting that legal redress or whether or not you feel that some of the questions that have not been answered that you want answered are related to the potential of court action or something down the track.

Miss Webb: I do think that the answers to some of those questions would probably assist us.

The CHAIRMAN: Hopefully we will be able to try to find out some of those answers for you.

Miss Webb: It is only my personal view of course that I have given here but I have had a fair amount of contact with other investors. The magnitude and the enormity of this problem just really hits you. I can see from my own point of view a huge problem for this State in terms of how it is going to ultimately in the long term affect the economy if something is not done. If we suffer, ultimately everyone else is going to suffer too, I am sorry to say.

The CHAIRMAN: In your submission you make some suggestions in fairly general terms about the funding of compensation, in terms of paying it over a period of three years.

Miss Webb: Yes.

The CHAIRMAN: As investors, have you had any formal discussions about that.

Miss Webb: No.

The CHAIRMAN: Or looked at putting anything -

Miss Webb: No. Initially they were partly my own thoughts and of course we have not had any particular forum in which to discuss this. It is just the contact I have had with other investors where I have discussed the possible concepts of these things.

The CHAIRMAN: It is more general conversation than anything in a formal sense at this stage.

Miss Webb: Yes. I might add that I do have quite extensive correspondence and records dealing with some other brokers. I could probably sit here for a week and go over things that I believe constitute fraud, misrepresentation certainly by the brokers and that type of thing. It just goes on and on and on. Because of being involved with more than one broker, as you can imagine there is a huge amount of paperwork attached to all that evidence.

The CHAIRMAN: I appreciate that. I think there is probably a fair degree of evidence to support those claims about those issues. I think it is more now a case of working out how did it go wrong, to try to make sure it does not go wrong again in the future and how were those things allowed to happen, to try to find ways of making sure they do not occur again in the future and, as I say, trying to find out what the avenues for redress for people like yourselves are in this whole process.

Miss Webb: Unfortunately that is the problem. There are not very many avenues left open. I can only speak about the people who have been caught up in Global, but for the people who have been caught up in this Global mess there are not a lot of avenues open for redress, as I have said. Some of those borrowers have already declared themselves bankrupt. I am sure they had 17 months' head start on us. I am sure they would have found adequate means to disguise where they have put their assets or whatever. It is just going to make it very difficult. In any case, you need a great deal of resources and perhaps knowledge to be able to pursue people like that through the courts. Having all your money tied up in these properties does not exactly give you a lot of money to play with to engage high profile lawyers etcetera to pursue these people.

The CHAIRMAN: All your funds are tied up.

Miss Webb: As I have explained in my submission also, it cost us \$15 000 in legal fees up until May 1999 with our solicitor. We just could not go any further. I paid him the money and said, "Look, I am sorry but I am going to have to terminate your services. I simply do not have the money to afford you." In that respect it is every man for himself I suppose. You just do what you can with what you have got and that is pretty little.

The CHAIRMAN: I take it you are basically doing most of the work on behalf of your mother as well.

Miss Webb: Yes. It is not easy trying to care for her at the same time.

The CHAIRMAN: So you are a full-time carer as well, are you?

Miss Webb: Yes. My mother is blind. She is 85 years old. She is fairly frail, although if I may say so myself I think she does a wonderful job for her age but nevertheless you can understand that someone who is 85 years old is not as resilient as she used to be.

The CHAIRMAN: In terms of some of the access to Government services for your mother and caring for her, are you finding problems because your assets are tied up and you are not getting a return on them? We have certainly had evidence about the problems that a number of investors are facing in terms of getting access to pensions and the like.

Miss Webb: I did have a huge problem. I have resolved it now, but it took me from basically

about August 1999 until 21 December 1999 to even get them to recognise the fact that I was due for any sort of payment whatsoever as a carer. I mean, I could have applied for a carers payment possibly some years ago. I never bothered. I felt quite satisfied with the income that I had from my investments in my own name. I did not feel that I needed to do that.

The CHAIRMAN: But you now feel comfortable that that is resolved?

Miss Webb: They did acknowledge that I was due for some payment on 21 December 1999 but it then took until just recently, just over a month ago, for them to actually say, "You are entitled to a full pension" because my assets were deemed to be earning five and a half per cent income. As you have probably read in the recent media reports, I think Global and Grubb investors are the only two groups of investors who have now been made exempt from that deeming regulation.

The CHAIRMAN: I just wanted to check that you were able to get all the services you felt - - -

Miss Webb: Yes.

The CHAIRMAN: That is good. Thank you very much for coming in today and providing us with quite detailed evidence, both today and in your written submissions. There are a couple of things that we have mentioned, if you can chase those up. If you do get that information, if you could provide it to the committee, we would appreciate it. Thank you for your time.

Miss Webb: Thank you.

The CHAIRMAN: We will adjourn until 2.30. Our next witness is at 2.30.

Committee suspended from 2.20 pm to 3.09 pm

