

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

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
FRIDAY, 8 SEPTEMBER 2000**

SESSION 1 OF 2

Members

Hon Ken Travers (Chairman)

Hon G.T. Giffard

Hon Ray Halligan

Hon Greg Smith

Hon Norm Kelly

Committee met at 10.27 am**JARVIS, MR DENIS KEITH,****Retired, residing at 10 Grimsay Road,****Ardross, examined:**

The CHAIRMAN: Thank you for coming in this morning, Mr Jarvis. I will go through a brief introduction and explain how we intend to proceed. On behalf of the committee, I welcome you to today's meeting. You will have signed a document called "Information for Witnesses". Have you read and understood that document?

Mr Jarvis: Yes.

The CHAIRMAN: Do you have any questions about it?

Mr Jarvis: No, not really. The only thing is I do have an ongoing court case against the borrowing company and the guarantor and that has been deferred until 31 January next year. There are some documents because of that case that cannot be represented here.

The CHAIRMAN: The next part of my comments may assist you in determining those matters. This hearing is being recorded by Hansard. To assist the committee and Hansard, would you please quote the full title of any document you refer to during the hearing so that the record is clear. A transcript of the evidence will be provided to you and this transcript will become public. If for some reason you want to make a confidential statement during today's proceedings, you should ask that the evidence be taken in private before speaking about the matter. The committee might also decide that your evidence should be taken in private. This could happen where the committee believes that the evidence might breach the committee's term of reference (3), which reads -

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) the Australian Securities and Investments Commission; or
- (e) any prosecution.

Even if your evidence is taken in private the evidence will become public when the committee reports to the Legislative Council. If you wish your evidence to remain private the committee can apply to the Legislative Council for a suppression order when the final report is presented. Before we commence, Hon Ray Halligan wishes to make a statement to the effect that he has had previous contact with you so that members are aware of that.

Hon RAY HALLIGAN: For the sake of Hansard and in the presence of Mr Jarvis, I would like it recorded that I have known Mr Jarvis for a number of years in association with a program operated by the former Department of Employment and Training. Over that period I have had no business dealings of any nature with Mr Jarvis and particularly none of a financial nature. Thank you.

The CHAIRMAN: Mr Jarvis, the committee has asked you to come along this morning because it received a submission about a telephone conversation that you had with staff at Global Finance shortly prior to the collapse of Global and we would like to ask you about that conversation to see whether or not you recall it and whether you are able to provide evidence to the committee with respect to that telephone conversation. Are you aware of the conversation to which we refer?

Mr Jarvis: Yes, I am.

The CHAIRMAN: Would you outline the details of that conversation?

Mr Jarvis: Yes. It took place on 5 March 1999. I telephoned the Global office to speak to Mr Margaria and one of his staff answered the telephone and said that he was engaged at that stage. I said, "I have some questions to ask him." What I thought he said was that he had the Minister for Fair Trading in the office with him. I said, "Oh, you mean Doug Shave?" I thought he said, "Yes." I thought he said that. I could have been wrong but that is what I thought he said. After that he gave me some information that I required about our loan at that stage and that was the end of the conversation. I did not give it another thought. I did mention it, I believe, in passing to a person because I thought it was rather strange that Doug Shave would have been in John Margaria's office in March after the company had gone into administration. Anyway, I did not do any more about it after that.

I will refer to some notes. I was in a meeting at Doug Shave's office in Alfred Cove on Friday, 23 April with my wife Phyllis and another investor, Geoff Fields, and we were having a discussion with Mr Shave at that time when it came up about John Margaria and he said he had never met him. I thought that was rather strange. I said to Mr Shave, "I had a conversation when they said that you were in John Margaria's office on Friday, 5 March." He said, "There is no way I was in there." He got rather upset at that, so he called Enid, his secretary, and asked for his diary. The diary came in and he showed me the diary and there was no mention of a meeting with John Margaria in that. I noted that there was a blank space between 12 o'clock and two o'clock which was a lunch hour. I had phoned John Margaria's office at one o'clock on 5 March. I thought it was strange but I did not do a great deal about it for another week. I went to the employee of Global who was still employed in the office at South Perth and asked him whether what he said on the telephone was true; that is, whether Doug Shave was in the office. He replied that he could not recall Doug Shave ever having been in the office and that we must have got mixed up in the conversation. I left it at that and took Doug Shave's word that he had never met John Margaria. This year I have had people ask me about that situation and I have told them that the whole issue is dead as far as I am concerned because Mr Shave denied it. I was asked whether I would present an affidavit to Parliament but I was not prepared to do that because it was only hearsay.

In late June or the beginning of July I approached that employee again and asked him if he was absolutely sure that Doug Shave was not at the office. He said that he had not seen him but that somebody from the office of Ministry of Fair Trading was in the office with John Margaria at that time. It could have been anybody from the Ministry of Fair Trading. He also inquired of another employee who had left at that stage. That employee also said that she had never seen Mr Shave in the office. If the committee wants to find out whether John Margaria and Mr Shave had a discussion at that time, John Margaria is the person who should be requested to give that evidence. That is the only way the committee will find out anything definite about it.

The CHAIRMAN: I appreciate that. The committee was provided with that information as part of a submission and wanted to confirm from you whether it was correct. The committee must consider how it might investigate that matter further. You mentioned that a former staff

member provided you with the information. Was it the same person you spoke to the whole way through?

Mr Jarvis: Yes, it was.

The CHAIRMAN: Who was that?

Mr Jarvis: George Rudolf. He is currently employed by PPB Ashton Read, the supervisors for Global Finance.

Hon GREG SMITH: For the record, who did you work for before you retired?

Mr Jarvis: I had my own newsagency business and I worked for 33 years at the ANZ bank.

Hon GREG SMITH: When did you work for the bank?

Mr Jarvis: From 1950 until 1984.

Hon GREG SMITH: Did you ever employ John Margaria and George Rudolf?

Mr Jarvis: Yes, both of them were on my staff but they were employees of the bank, not of mine. John Margaria was the Esanda finance officer at Victoria Park - the last branch at which I worked.

Hon GREG SMITH: At what time?

Mr Jarvis: That would have been in 1984. I finished working at the bank in April 1984 and he was there when I left. He was the Esanda officer dealing with the various dealers, especially second-hand car dealers - the committee would have heard a lot about them.

Hon GREG SMITH: What was George Rudolf's position?

Mr Jarvis: He was my security clerk at Albany when I was there for seven years.

Hon GREG SMITH: Approximately what time would that have been?

Mr Jarvis: I was there from about 1975 and I left in January 1982. He was the security clerk.

Hon GREG SMITH: Was your call to Global about money owing to you or an outstanding debt?

Mr Jarvis: Sorry, which one?

Hon GREG SMITH: When you telephoned Global Finance.

Mr Jarvis: What was it about?

Hon GREG SMITH: Yes.

Mr Jarvis: I wanted to know about a transfer. A deal for \$35 000 had been put on the mortgage and was never funded. I wanted to find out about that because another member of our syndicate lodged funds on 29 January for \$35 000. A transfer had been signed by both parties but it had not been registered at that stage. I wanted to know how things were going because everything was frozen at that stage in March.

Hon G.T. GIFFARD: Of Global's?

Mr Jarvis: Yes. I wanted to know about the balance of our trust account and also details on the difference between the amount of the loan of \$315 000 and the amount that had been drawn out of the trust account to pay for the block of land and John Margaria's fees.

Hon GREG SMITH: I imagine that it would not have been surprising that someone from the Ministry of Fair Trading or the Australian Securities and Investments Commission was interviewing Mr Margaria at that time.

Mr Jarvis: It was quite likely. It has since been reported in the newspapers that Mr Willers was there three times in December and he could have had further interviews. I would say it would be likely because at that stage the office, even though the administrator as it was then had come in, Mr Margaria and Mr Rudolf were still there. Representatives of the Ministry of Fair Trading were still likely to come into the place.

Hon NORM KELLY: After the telephone conversation you had on 5 March, you were left with the impression that minister Shave was in the meeting with Mr Margaria. In hindsight, do you believe it is conceivable that he was part of a telephone hook-up with Mr Margaria and someone from the ministry?

Mr Jarvis: Telephone hook-up?

Hon NORM KELLY: Mr Rudolf gave you the impression that Mr Shave was at that meeting. Is it possible that Doug Shave was not physically present at that meeting, but was communicating on a speaker phone to his representative from the ministry and Mr Margaria?

Mr Jarvis: I would not have noted that. I cannot recall whether George Rudolf answered the phone or whether it was June Clark, who was still employed there at the time. Kim Wood was dismissed on 1 March by the liquidators. It is hard to say, I do not know. I was surprised at the time at the mention of someone from the ministry being there. I would have thought that someone from the ministry would have been observed walking into the place. When someone walks into that office they go in the front door, and Mr Margaria's office was the first on the right. The other people were domiciled further down the building. Someone could have walked straight into that door. I never saw Doug Shave there.

Hon G.T. GIFFARD: Was it Mr Rudolf who subsequently told you that someone from the ministry was there?

Mr Jarvis: Was it him that told me?

Hon G.T. GIFFARD: Yes.

Mr Jarvis: Yes.

Hon G.T. GIFFARD: On what basis did he say that someone from the ministry was there?

Mr Jarvis: He just said to me that someone from the ministry was there.

The CHAIRMAN: Was this in late June or early July?

Mr Jarvis: Yes, that was the second time.

The CHAIRMAN: Casting your mind back to Doug Shave's diary, you told us there was a blank space for about two hours.

Mr Jarvis: I just had a brief look at it. It did not show Margaria's or Global's name. I took the guy's word for it, quite frankly. He said at the time that he was not there, and he was quite upset about it. I appreciated what he said.

Hon GREG SMITH: I will read a record of a conversation to you and I want you to tell me whether these are your words or a paraphrase. They relate to when you telephoned Global Finance. The conversation reads -

Dennis asked to speak with Margaria, and was given the answer that John is in a meeting right now with the Minister. Jarvis asked "Minister who?" Rudolf replied "Minister Shave."

Mr Jarvis: I did not say that at all.

Hon GREG SMITH: You never made that comment?

Mr Jarvis: Rudolf did not say, "Minister Shave" at all. I said that. He said to me, "He is tied up. He has got the Minister for Fair Trading." I said, "Oh, you mean Doug Shave." I thought he said, "Yes." I said that.

Hon GREG SMITH: Have you ever provided a written account of the proceedings to anybody?

Mr Jarvis: No.

Hon GREG SMITH: So anybody who quoted you and Rudolf as having said, "Jarvis asked, 'Minister who?' and Rudolf replied, 'Minister Shave'" would be quoting you incorrectly.

Mr Jarvis: Yes.

The CHAIRMAN: Do you have any record of the conversation?

Mr Jarvis: I do, but it is in biro.

The CHAIRMAN: Do you have it with you today?

Mr Jarvis: It is pretty insignificant. This is what I wrote down at the time.

The CHAIRMAN: May we make a copy of this?

Mr Jarvis: Certainly.

Hon GREG SMITH: Did you ever have a conversation with Denise Brailey about this matter?

Mr Jarvis: Yes, a number of times.

Hon GREG SMITH: Have you ever provided a written account of the proceedings?

Mr Jarvis: No. I mentioned first up in early April of last year when I was having some dealings with her and Doug Solomon. At that stage we were concerned about how the liquidator was going. I verbally mentioned to her that conversation. Since then she has been plaguing me, quite frankly. Back in June she phoned me up at about half past seven in the morning when I was still in bed. I told her that I did not think it had any significance and I was not prepared to make an affidavit about it because it was hearsay.

Hon GREG SMITH: Has Denise Brailey ever sat down with you and said, "Could you go over the proceedings very carefully? I would like to write them down. Do you mind if I present them in a submission because I need to have it right?" or something similar?

Mr Jarvis: She never put it that way. She did ask if I would see Doug Solomon so that he could prepare an affidavit to present to Parliament. I told her that I was not prepared to do that. She said, "Do something about it." She rang me a few times. She said, "This is Doug Solomon's number. Give him a ring now. He is there in the office." I was going away that morning. I phoned his office and a staff member said that he was engaged with somebody. I was going to tell Doug that I was not prepared to do it.

Hon NORM KELLY: Were you given an indication of who would be presenting the affidavit to Parliament or for what purpose the affidavit would be presented to Parliament?

Mr Jarvis: I cannot recall whether they said a name. No, they did not. I would have thought it would be the person who was doing all the presentations at the time.

Hon GREG SMITH: Have you ever given your consent to the comments you made being presented as evidence?

Mr Jarvis: No, I have never given permission for that. When I originally spoke to Denise about it last year I said that it was in confidence.

Hon GREG SMITH: What would be your comments about the fact that the contrary has happened and your comments have been presented in the form of a submission to somebody somewhere?

Mr Jarvis: If Denise did that she has organised it herself in those words. They are not my words at all.

The CHAIRMAN: Whether there were meetings between brokers and the minister at the time is clearly relevant to our inquiry.

Mr Jarvis: I realise what has come up as far as the in-law situation is concerned and what has happened recently in the newspaper. I reiterate: I think John Margaria is the person you must get in under oath and ask if he has ever met Mr Shave. If he says that he met Mr Shave before 23 April, we know that Mr Shave is not telling the truth. If he did not meet Mr Shave up to the date when I spoke to him, Mr Shave has no problem. I did prepare some notes for the committee.

The CHAIRMAN: At the time you wrote the notes you have provided to us were you quite clear in your own mind that John Margaria was in a conference with Doug Shave?

Mr Jarvis: Yes, I was at that stage.

The CHAIRMAN: In the note you have the comment "George adamant that no misappropriation of funds have taken place." Do you believe that to be an accurate statement now?

Mr Jarvis: It certainly did not work out that way, did it? That is what he said to me at that stage. He may be right; we do not know. The books may have balanced at that stage and there may not have been misappropriation of funds in that sense.

The CHAIRMAN: We will wait and see.

Mr Jarvis: We will wait and have a look. It will be out next week, I think.

Hon G.T. GIFFARD: You said that you had spoken to Miss Brailey a number of times.

Mr Jarvis: Yes, when she has phoned me up about things.

Hon G.T. GIFFARD: When you have spoken about whether the minister was in the office, are you confident that is what you consistently said to Miss Brailey and that at no time could it have got confused or changed around?

Mr Jarvis: Denise is a bit inclined to put things in your mouth at times. I cannot be sure on that. I have had a number of conversations. I will not comment further on that.

The CHAIRMAN: Do you have something else to present?

Mr Jarvis: I have a screed here that I wrote out for the committee. There are copies for everybody.

The CHAIRMAN: As you have written it out, we can read it. Is there anything you wish to comment on briefly?

Mr Jarvis: That is a copy of all the meetings I have had. I provided that to Solomon Brothers back in May 1999. It contains all the various meetings I have had with Mr Shave and with the Australian Securities and Investments Commission, which members will find quite interesting.

The CHAIRMAN: Are there any key points you want to highlight?

Mr Jarvis: There is one item I will highlight. There are a few things I want to bring up. Members should look at page 4 of the notes I have provided detailing all the meetings I have

had. It indicates that my wife and I attended a meeting with Mr Shave in March 1999. I do not have the exact date, but it will be in his diary. We met to express our concerns about the creditors' meeting in February 1999. During this meeting Mr Shave mentioned that a relative had funds invested with a mortgage broker. He did not say which mortgage broker. I am not sure who the relative was. It is quite clear that he knew at that stage a relative had funds invested with a mortgage broker. The only broker that had gone into administration at that stage was Global, so it was not Global. I have a list of everybody's name who was involved in Global.

The CHAIRMAN: What do you think the purpose would have been in referring to a relative being involved?

Mr Jarvis: My wife and I differ on this. She thinks I misheard it, but I do not know. At the time I thought it was his ex-mother-in-law. That is the impression I got. My wife says that as far as she is concerned it was just a relative.

Hon GREG SMITH: Was he saying that in the context of indicating "I understand"?

Mr Jarvis: Yes, it was just in general conversation. He said, "I have got a relative tied up in it as well."

Hon GREG SMITH: I notice that you had a relationship with Blackburne and Dixon. Did you lose any money through Blackburne and Dixon?

Mr Jarvis: I will be quite frank. Keith Dixon was a manager at the ANZ Bank. He started Blackburne and Dixon or took over another company at that stage with Owen Blackburne. Owen Blackburne also comes from Albany. If you have a look, you will find so many people coming from Albany who are tied up with crook brokers. Unfortunately, Owen disappeared. Ken Dixon is out of it now. I borrowed some money in a fixed mortgage when I went into business through Blackburne and Dixon. The first page of my submission explains why one borrows money on an interest-only basis; that is, to preserve capital and to only pay back interest when starting or expanding a business. I borrowed, and I also had loan funds through Blackburne and Dixon. I had one loan of about \$100 000 through a company called Kentlaw Pty Ltd on a commercial property. As it turned out, Owen Blackburne ended up in that one as part of the borrowing. A large amount was borrowed, and that was the last loan I had with them.

Hon GREG SMITH: Did you not lose any money?

Mr Jarvis: Until this last one with Global, I never lost a cent. Throughout my involvement with Blackburne and Dixon and Global, I have never had a payment a day late. It was always spot on.

Hon GREG SMITH: Was nothing happening in 1996, 1997 or 1998 that caused alarm bells to ring for you?

Mr Jarvis: Page 2 of my letter refers to Blackburne and Dixon. I have copies of letters from Blackburne and Dixon and John Margaria. The committee should have copies. John Margaria was employed by them until July 1994; his company dealt through Blackburne and Dixon. He and Kim Wood resigned to operate Global Finance in its own entity. I have copies of letters. Director Ken Dixon left. I did not have a comfortable feeling dealing with the office manager, Ken O'Brien, and I think he has problems at the moment.

In November 1998, I spoke to Kim Wood regarding adverse reports in *The West Australian* on 2 September 1998 and the *Sunday Times* on 15 November 1998 regarding Mr Lens and the Balga Shopping Centre loan. Kim advised that the situation was being sorted out and that Denise Brailey was causing an adverse reaction for them. Kim confirmed that they were not

having any other major problems with accounts. I did not know that Kim Wood had resigned as director until I was advised at the first creditors' meeting in February 1999. For what reason did she resign? The Gunning report spells out a lot more about that aspect. I state in my note that Kim must have had a good reason for resigning. She was probably finding it a bit hard with John - I do not know.

In December 1998, I spoke to John Margaria about re-investing \$100 000 that was repaid from Opulence. Members may have read about Opulence, which was involved in a large heritage building in East Fremantle. The director of Opulence was James Miorada, who has the University Building Society. He had a write-up at one stage that one was government sponsored I believe. The funds became available. I spoke to John about re-investing that in December 1998. He advised that he had a York subdivision deal but felt that I was too fussy to accept that kind of investment. He was dead right. It has since gone flat and they have not sold a block of land out there. I would not go into that one. He mentioned a display home transaction that would be blue chip. It started off all right. They bought the block of land. The land was purchased from our \$315 000, and \$108 000 was drawn out to pay \$96 000 for a block of land. It was supposed to be \$106 000, and I do not know what happened to the other \$10 000. John Margaria took out \$6 300 for his fees from that as well.

On 19 February, they went into administration and the building had not started. We had \$206 775 sitting in a trust account. It was the last investment entry that ever happened with Global Finance. It was disturbing to note from the Gunning inquiry evidence that during December 1998 a staff investigator from the Ministry of Fair Trading, Jack Willers, made three visits to Global - possibly others before and after - to investigate concerns about the company. If I had been aware of this situation, I would not have invested in the loan. Margaria, and I am sure Kim Wood and everybody else in that company, knew that things were not going well. However, they accepted our \$315 000 as the last entry. That is it. I will let the committee have the other documents.

On Friday, 3 March 2000, my wife and I had another meeting with Mr Shave and his secretary in his electoral office. We discussed our court case about Mr Di Rosso's attempt to take possession of our mortgage security. Mr Shave phoned his policy officer, Bill Mitchell, to arrange a meeting for us with Jeff Herbert, the supervisor of Global. It was organised. Later that day, Kevin Prince phoned me from Albany for information about our syndicate member, Mr Dino Pozzi. He could not understand what Dino was going on about. I sent a memo down there, so Kevin called me.

The CHAIRMAN: Did you send the memo to Mr Prince?

Mr Jarvis: I sent it to Mr Pozzi. Mr Prince is the local member down there, so Pozzi went in as a constituent to have a word about how things were going and what I had put in the memo. Mr Prince could not understand what Mr Pozzi was on about, so he phoned me from Albany. I spoke to him for half an hour explaining things to him. This was 3 March 2000.

The CHAIRMAN: What sort of issues did the memo raise?

Mr Jarvis: It was about what was happening within our syndicate, where we were going with our mortgages and our court cases - things like that.

The CHAIRMAN: Did Mr Prince offer any suggestions or advice?

Mr Jarvis: No, he did not offer any suggestions.

The CHAIRMAN: Did he just want information from you?

Mr Jarvis: It makes it fairly awkward. Constituents are tied up in the mortgage industry down there. To go to see Mr Prince now with his involvement to get advice would not be very good. I also knew Mr Jamieson pretty well in Albany when I was down there.

The CHAIRMAN: Could we get a copy of the memo?

Mr Jarvis: I do not have it here. I think you would find it somewhat irrelevant.

Hon NORM KELLY: You were a bank manager for many years and obviously have been a steady investor in mortgages. Can you give the committee some general feelings about why we are in this mess? We have seen a range of investors become caught up, from what might be called very astute to those who have not done all their homework. Somebody with your experience knows how to handle money well, but you were still caught up.

Mr Jarvis: I am an experienced investor and I was caught up too. A lot of the investors are very old people with no finance background and they leave it to the broker. Over the years, we have never had a problem with it. The first part of the notes I submitted read -

Some people consider Investors in the Private Mortgage industry as greedy, chasing high interest rates with little concern for safety.

This is not the case.

The Mortgage Broking Industry has had a significant role to play in the financial industry for many years.

Until recently it was a respected industry.

The role of "interest only" monthly repayment loans was mainly utilised to assist people with "bridging finance", Business Purposes and Working Capital requirements.

This allowed retention of cash flow during establishment and growth periods without having to meet principal commitments.

During the 1970 and 80s the Central Bank controlled private bank funds and credit squeezes were created which caused some banks to direct portions of their clients' funding requirement to outside sources.

When I was a manager in Albany we were directed by our head office to arrange outside loans to complement some of the bank's lending. If one had a \$200 000 proposal, the bank would lend \$100 000 and we would try to get private mortgages outside.

Hon GREG SMITH: Was it with an interest-only component?

Mr Jarvis: Yes, it was interest only. It was a direction from the ANZ Bank in the 1980s. Funds were hard to get. Banks could lend only as funds were regenerated, and they wanted principal-interest repayments. As the funds were regenerated, they could lend again. The central bank controlled it to some extent. Anybody from a bank would know that.

Hon GREG SMITH: Did the bank have preferred brokers they had checked up on or had faith in, or did the bank tell people to see a finance broker to arrange interest-only capital?

Mr Jarvis: We arranged it for them much of the time. The bank manager would ring up the brokers. We had contacts with brokers, and we would ring up and arrange it for them.

Hon GREG SMITH: This is probably a leading question: Would you have rung Jamieson in Albany?

Mr Jarvis: He was in the insurance business at that stage; he was not a broker. The brokers were mainly in Perth. My prepared note continues -

The 1989-90 period saw the bank interest rates rise to 22%, with much of the bank lending being directed to Discounted Commercial Bills with a maximum of 180 days roll-over.

That did not suit a lot of people. Commercial bills would come from a separate funding section the Central Bank allow.

Many people did not want that because it was discounted. They took the interest out in one go, then next time they would take a little more.

Hon GREG SMITH: They would borrow your capital back.

Mr Jarvis: People did not like it. This lending was not always suitable. Longer-term private mortgages were attainable at much lower interest rates. I know that private mortgages were lower than the bank rates at that stage. I was involved. Building societies also diverted to commercial lending and lending percentages increased to 90 per cent of the valuations covered by the Housing Loans Insurance Corporation and the Mortgage Loans Insurance Corporation. The private mortgage loan generally remained at 65 or 70 per cent of the valuation. They remained around that level, and they are supposed to remain at it now. It has been only in the past five years that unsavoury borrowers have entered the scene to corrupt some brokers driven by greed. It is not only brokers; unfortunately some valuers are also involved. We were caught out. I have always done my own valuations and used a sworn valuer. I checked every property. I asked John Margaria for one on this occasion. His proposal was for a sworn valuation on completion of \$450 000. I asked him for the valuation, a copy of which I received from him. It showed that the land was valued at \$120 000 and the building was valued at \$330 000 on completion. I did not know that Ron O'Connor was a crook at that stage. He was requested by the borrower to do the valuation. The land was purchased for \$106 000. He did a valuation on 8 December 1998 of \$120 000. The block was bought for \$106 000. All the blocks administered by Satterley Real Estate at Sanctuary Waters had designated values. How could a valuer put a value of \$120 000 on it? All those blocks have a \$5 000 rebate for fencing. The block was probably worth only \$101 000 at that stage. He did not do his homework and indicate that it had "encumbrances - nil". It had a building covenant on it, but we never got a copy of that. It stated that a display home could not be put on it. There was a secret agreement between Satterley Real Estate and the borrower that they would build a two-storey display home. That caused many problems for us, because we have an ongoing court case against the guarantor. It has cost me about \$20 000 in legal fees. We have the land now as mortgagees in possession because the company has gone into liquidation. I have heard a rumour that the guarantor has gone into bankruptcy.

The CHAIRMAN: Who was the guarantor?

Mr Jarvis: Da Vinci Homes. I have those documents. That sort of thing happened. Unfortunately, John allowed that draw down for the land. I did not see a copy of the mortgage until 19 February - the day it went into administration. As members realise, a mortgagee does not sign a mortgage, only the mortgagor. All we had was a notice to the lender-borrower, which has been the general theme in the industry. They are required to provide one page setting out the names and the amount. We never saw a copy of that mortgage. The schedule changed from what we understood it to be, but we did not know about that. He made up what he wanted in the mortgage; for example, he included "interest capitalised". Why would one want to capitalise interest? It was a hell of a mix up.

John took out all that money - \$108 000 was withdrawn and the value of the land was \$106 000. Instead of lending 70 per cent, we were lending over 100 per cent. That is where

we are now. We have a sworn valuation of that land from September last year of \$99 000 from another source. It is a hell of a mess. I do not know where it will end up.

The CHAIRMAN: We have heard a lot of evidence of similar cases.

Mr Jarvis: I was also going to raise another significant issue. We had a meeting on Thursday, 29 April 1999 at Doug Shave's office. The meeting was attended by Geoff Fields, an investor; Paul Redman; Ian Parker, Hon Doug Shave; Pat Walker; and Bill Mitchell. After we completed that meeting, we walked outside. Who should be sitting outside the window but Denise Brailey and Mr Ken Fidge. They probably heard everything that was said inside. That might have been the day that Mr Fidge told Mr Shave about his father-in-law.

The CHAIRMAN: You made the comment that they would have heard everything that went on.

Mr Jarvis: The window was open and they were sitting outside. Mr Fidge might be able to say whether he heard.

The CHAIRMAN: If they had heard, what was the significance of that?

Mr Jarvis: I do not know.

The CHAIRMAN: What things were discussed?

Mr Jarvis: According to the newspaper, Mr Fidge said that he had spoken to Mr Shave about his father-in-law. I am simply confirming that Mr Fidge was there that day and that Bill Mitchell was in the office.

The CHAIRMAN: What things were you discussing in the meeting with Mr Shave?

Mr Jarvis: We were looking at sorting things out with the liquidator before a supervisor was appointed. We wanted to get somewhere with it. We organised a meeting in Parliament House with Mr Shave. A number of people attended - Mr Shave, Mr Mitchell, another member of the ministry, Greg Harvey, two people from the liquidator's office, the lawyer for the Ministry of Fair Trading, and four investors. We discussed a number of things - mainly trying to get funding and perhaps setting up a supervisor. That was the start of making inroads into getting the finance from the Government for the supervisor.

Hon GREG SMITH: Please give us your opinion of the minister's conduct towards and attitude to you as an investor. Has he done what you would have expected him to do to help, or has he been uncaring?

Mr Jarvis: Doug Shave has been good up to a point. In his office he is very good and he will do what he can sitting there in the chair. Once you get out of the office, it disappears. You do not get very far. You never get any further once you leave the office, but it is good inside.

The CHAIRMAN: Members say one thing in the Parliament and do another in their electorate office.

Mr Jarvis: Yes.

The CHAIRMAN: You mentioned that you did not have a comfortable feeling when dealing with the office manager, Ken O'Brien. What was the problem?

Mr Jarvis: It was his attitude. I met him only once - it might have been twice. Then he put a deal to me after Margaria left for a Peter Tilly. I had one look at it and chucked it in the bin. We all knew what Mr Tilly was like. That was the feeling I got. He was doing something that was not right.

The CHAIRMAN: It was more a reaction.

Mr Jarvis: I had no rapport.

The CHAIRMAN: You state that Kim advised that the situation was being sorted out and that Denise Brailey was causing an adverse reaction. Was that the total context or were they suggesting that it was all Denise Brailey's fault?

Mr Jarvis: Denise was making things awkward because she was going to the media and making it hard for them.

The CHAIRMAN: Has she now been proved to be correct on those matters and about the Balga shopping centre?

Mr Jarvis: Yes. She was making waves in the media and making it awkward for them

The CHAIRMAN: Did anyone other than you, your wife and Mr Shave attend the meeting in March 1999?

Mr Jarvis: Which meeting was that?

The CHAIRMAN: The meeting of March 1999. In the written submission you point out that, in addition to these meetings, your wife and you attended a meeting with Mr Shave in March 1999 to express your concerns about the creditors' meeting in February 1999.

Mr Jarvis: There were only three of us there.

The CHAIRMAN: You are obviously a constituent of Mr Shave.

Mr Jarvis: Yes.

The CHAIRMAN: You made a comment earlier about the Kentlaw Pty Ltd deal. Was that the Stirling Gate or the Joondalup Gate deal?

Mr Jarvis: That was in 1992

The CHAIRMAN: Did it relate to the development at Joondalup Gate or Stirling Gate?

Mr Jarvis: Buildings already existed. They paid about \$7m or \$8m for that.

The CHAIRMAN: On what development? Kentlaw Pty Ltd did a number of developments.

Mr Jarvis: I would have to check. We had a combined mortgage over one of the buildings there that housed Cullity Timbers or one of those groups.

The CHAIRMAN: What suburb was it in?

Mr Jarvis: It would have been in Balcatta.

The CHAIRMAN: You mentioned that Owen Blackburne ended up with an interest in it. Was that disclosed to you before you made the investment?

Mr Jarvis: No, it was not. I thought about bringing it up. Originally, a husband and wife were going to be totally involved in it, but they decided they would not. That is when they formed another company - I think it was called Kentlaw Pty Ltd. The other people who were originally going to take it over completely -

The CHAIRMAN: Was that Pavlinovich or Johnson?

Mr Jarvis: No; I think he sold it. These other people were going to put in a hardware shop. They could not get it for a couple of years because there was a lease on it already. That was too far away for them, so they decided they would come in as shareholders in Kentlaw Pty Ltd.

The CHAIRMAN: I would like any documentation you have on that transaction.

Mr Jarvis: I was very surprised that Mr Shave sent a letter to my cousin, who lives in his electorate. It states that he is her elected member of Parliament and -

At present the State Government is heavily involved in assisting the elderly investors who have been victims of a number of unscrupulous finance brokers who offered them high rates of return on their investments.

He did not send a letter to the investors in his electorate. I found that strange. The money expended on sending out those letters was a waste. He could have put it in the newspaper and given the money to help some of the investors who were not very well off. I thought I would raise that.

Hon RAY HALLIGAN: I know that you are an ex-banker and that you have had plenty of experience in banking. I refer to these files, and particularly to Blackburne and Dixon - I think it has cropped up elsewhere. The documentation indicates that funds were being received to pass on to a borrower. The proposed disbursement of those funds sometimes included the payment of interest over a period. That means, of course, that you are getting your own money back.

Mr Jarvis: That is dead right.

Hon RAY HALLIGAN: Do you believe this was the norm? Was this happening quite frequently?

Mr Jarvis: It has been happening with another broker I deal with. I have a number of mortgages with them.

Hon RAY HALLIGAN: Has it ever happened with any of your mortgages?

Mr Jarvis: Yes. There are two that I have got. On the current one I have now, we were borrowing our own money back. It is interesting that all of Margaria's proposals say that interest payments on this loan are considered safe as Global Finance will retain interest payments for the construction period of six months, which will be held in trust to be paid monthly to investors. That is standard on every letter. They also say that existing current accounts on display homes at Wembley Lakes and Ascot Waters are well conducted by Global Finance. Of course they are, because you are getting your own money back. That is on every one of them.

Hon RAY HALLIGAN: The money is being provided by the lenders, not only with no principal repayments, but also with no interest repayments from anyone other than themselves.

Mr Jarvis: That is exactly what has happened.

Hon RAY HALLIGAN: Do you believe that should have happened?

Mr Jarvis: I am not sure, because I have not dealt with some of the other brokers. The ones whom I dealt with at Blackburne and Dixon were not at all like that, because they did have a cash flow, but the ones through Global were like that.

Hon RAY HALLIGAN: You said that during December 1998, Mr Willers had made three visits to Global, and had you known about that, you would not have invested. What would have gone through your mind to cause you not to want to invest? Would you have made an assumption that because a member of the Ministry of Fair Trading had visited that broker, something was definitely wrong, or would that have prompted you to investigate further?

Mr Jarvis: I would definitely have investigated further. If I had known that the ministry was investigating Global, I certainly would not have invested with it.

Hon RAY HALLIGAN: I suggest you could not make the assumption that something was definitely wrong of a magnitude that would cause people not to want to do business with that

broker, because there are a variety of reasons that investigators go to finance brokers, are there not?

Mr Jarvis: If there was some concern by the ministry, it should have brought this to public notice. I know there are a lot of legalities involved with it.

Hon RAY HALLIGAN: Would that investigation have had to take place prior to its advising investors?

Mr Jarvis: Yes. It would have to investigate it prior to that, for sure. That is what I thought he was doing. Mr Willers was there three times in December. I never put any of my money in until 8 January. That was the day the mortgages were registered. The last amount - the \$35 000 - did not go into until 29 January. A fair bit of time went by before that mortgage was completed, but members of the ministry were there in December. They might even have been there before. That is only what is reported. They might have been there before or after. They could possibly have been there well before.

Hon RAY HALLIGAN: Did you know why they were there in December? I wonder if the question was ever asked.

Mr Jarvis: They might have been there to look at his licence, whether there was a problem there. It is hard to say. As far as I am concerned, whatever happens and whatever business you are in, the buck stops with the person at the top. I feel a bit sorry for Doug Shave. I wish he had come out and said, "My department is not working well; I have got to accept that", and that he had accepted it gracefully. I feel that if he had done that, people might have forgiven him a bit. I just feel that he has covered himself up all the time. You cannot do that. You have got to own up to things and accept them and say, "I have made mistakes; I have not done the job properly, but I will rectify it." That is what should have happened. Doug was big enough to do that, and I think he should have done that.

The CHAIRMAN: That is probably the advice our parents have given all of us at one stage or another.

Mr Jarvis: I would say so.

The CHAIRMAN: Thank you for giving us your evidence, Mr Jarvis.