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Business Story

Storm clients to target BoQ, ANZ, NAB and Westpac

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Storm Financial clients are now chasing other banks that dealt with the failed company / File
Source: Herald Sun

AFTER securing a historic deal with the Commonwealth Bank, clients of failed financial services giant Storm Financial have vowed to take the fight to other banks who dealt with the firm.

Lawyers for more than 2000 former Storm Financial clients yesterday reached a deal with CBA which will see cash payouts and mortgage reductions given to those affected by the bank's bad lending practices.

Storm Investor Consumer Action Group chairman Noel O'Brien said the agreement meant no former clients would lose their homes.

He said the group would now turn its attention to other lenders, including the Bank of Queensland, ANZ, National Australia Bank and Westpac.

"There is no doubt there was a feeding frenzy to get our business and it wasn't just CBA," Mr O'Brien said.

Thousands of Storm Financial investors were left financially destitute by the global financial crisis in late 2008 after having been urged to go heavily into debt, including mortgaging their house, to invest in the stock market.

It has since been found that many clients were given mortgages well above the value of their home and the CBA has promised to address the shortfall by reducing the total value of loans in relevant cases.

Customers who took out margin loans to invest with Storm would be remunerated for 90 per cent of the funds they used as security on the loan, provided the value of their investment slipped below the margin call level in the second half of 2008.

In practical terms, it means a client with \$500,000 worth of investments, including a \$450,000 loan and \$50,000 of equity would receive a \$45,000 payout.

However, Mr O'Brien said the payout would not be enough for some investors.

"We were disappointed because it didn't go as far as we would have wanted it to go but we were always going to be disappointed," he said.

"Some people will get nothing, some will get a lifeline, some people will get some sort of relief."

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