

Storm adviser didn't care, argues barrister

Daniel Hurst
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LAWYERS for the Storm Financial liquidators have accused one of the company's former advisers of not caring if the investment advice he provided to a retiring couple was based on inaccurate information.

The Brisbane adviser, Stuart Drummond, became involved in a heated exchange with the Worrells barrister Craig Wilkins when the Federal Court continued a public hearing in Brisbane yesterday.

The tussle came as Slater and Gordon announced it had filed its first NSW case against the Bank of Queensland on behalf of a Storm Financial client who lost his home when his investment in indexed funds plummeted.

The Federal Court has already heard evidence that Storm Financial's computer system did not allow it to easily monitor the state of its clients' portfolios, despite potential customers being promised continued checking in return for hefty up-front fees.

Yesterday Mr Drummond told the court that clients generally came to follow-up meetings three or four times a year and this was "typically" the only time the advisers looked at their margin loan to value ratio.

He defended the advice he gave in May 2007 to a Brisbane couple, aged 65 and 61, who were looking to sell a \$1 million shopping centre and laundromat they owned to set themselves up for retirement.

They were told to borrow against their home and take out margin loans to invest in indexed funds. But they were hit by heavy losses and left contemplating the potential sale of their house.

Mr Wilkins challenged the suggestion the couple should borrow against their home, risking it for potential gains on the stockmarket.

"If you went to the casino, would you put everything you own on the table?" he asked.

Mr Drummond said: "Depends how much I had."

The adviser said most people's investments were "hugely overweight" with property, and if potential clients did not like the advice they received they could walk away.

"It's called financial advice. We're there to tell people what we think they should do with their money," he said.

Mr Wilkins queried the written statement of advice Mr Drummond provided to the retiring couple, which contained graphs comparing investment options and referred to research showing "recent slowing" on the property market.

He accused Mr Drummond of handing over the advice "not caring whether it was true or false".

"It was never a case of not caring," the former adviser fired back.

This story was found at: <http://www.smh.com.au/business/storm-adviser-didnt-care-argues-barrister-20091014-gxhc.html>