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Storm founder's desperate loan plea

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STORM Financial founder Emmanuel Cassimatis tried desperately to salvage his customer base by offering to take over customers' spiralling debts as the global financial crisis took hold last year, an inquiry has heard.

The parliamentary inquiry into the collapse of the north Queensland-based financial services firm heard Mr Cassimatis begged the Commonwealth Bank not to call in margin loans against his clients as the value of their share portfolios plummeted.

David McCulloch, a former senior adviser at Storm told the inquiry's Townsville hearing that he and Mr Cassimatis flew to Sydney in late November 2008 to meet with representatives of the bank's margin lending arm Colonial Geared Investments.

He said Mr Cassimatis had offered to take over responsibility for the multi-million-dollar debt from the bank, but would need to secure a loan to do so.

"It was probably a last throw of the dice by Storm," Mr McCulloch said.

"(We said) 'You've got the debt on your books anyway. Obviously Storm is a strong corporate entity; we will take on the debt and pay you back over two years or four years when the market eventually recovers.'"

However, Commonwealth Bank rejected the deal and sold out thousands of Storm clients' portfolios at negative debt positions, leaving many financially ruined.

Storm was placed in voluntary administration in January 2009.

The inquiry will head to Brisbane tomorrow where Mr Cassimatis is tipped to give evidence.