

## Not happy, Bankwest, say customers

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Pub with no cheer . . . Sean Butler in front of the National Hotel in Fremantle, which is on the market after Bankwest called in receivers in June 2011. **Photo: Megan Lewis**

### Natalie Gerritsen

Two years ago, builder and hotelier Sean Butler stood at the top of his Fremantle hotel and looked out at the view. By his side was Bankwest head of business Ian Corfield. A banner, "Bankwest: Funding local growth", hung from the building, which was being rebuilt following a devastating fire in 2007.

"We were told we were model customers, so [Corfield] came down and inspected the hotel with the local manager," Butler says.

Now, the hotel is on the market along with Butler's other properties after Bankwest called in receivers to Butler's business in June last year. Butler has been locked out of the business he built up over more than 20 years, and he is not the only one alleging harsh treatment at the hands of the bank.

Bankwest has come under increasing fire for its actions in the wake of its 2008 takeover by Commonwealth Bank of Australia.

CBA bought the bank at a fire-sale price after Bankwest's British parent, HBOS, was swept up in the global financial crisis and could not provide the capital required to sustain the Australian arm.

Bankwest had sought to lend aggressively in the commercial property sector where many borrowers could not meet their repayment schedules and loans soured, incurring losses. CBA oversaw a rebuild of the company's risk and lending practice, cutting exposure to commercial property in the process.

A growing number of customers, mainly small-time developers, say they were caught up in the clean-out and their loans called in without warning or consultation.

Those who can afford to are embarking on individual legal battles, while those who can't are holding out hopes for a class action or parliamentary scrutiny.

Nationals senator John Williams has taken up their cause and is calling for a Senate inquiry into the CBA acquisition and its aftermath, and the Greens and Liberals say they are open to the idea.

Williams says a Senate inquiry "will air what happened and why" after the takeover.

He was briefed by Bankwest managing director Jon Sutton last week, but says he has not been deterred from pursuing the inquiry.

Opposition finance spokesman and WA senator Mathias Cormann has approached the CBA to seek further information

about Bankwest's actions after receiving a number of complaints.

He says he has been presented with allegations that previously untroubled businesses had their funding stopped and debts called in with minimal notice after the takeover.

Many of the unhappy customers hope an inquiry will investigate their allegations, which stretch from bullying tactics to crippling penalty interest and deliberate marking down of property values.

CBA and Bankwest strongly deny these claims.

Bankwest says it has more than 1 million customers and any complaints are coming from a very small group. It says it has had the largest increase in customer satisfaction levels of any bank during the past 18 months.

Litigation funder IMF has confirmed it is considering funding a class action and has been approached by many Bankwest customers.

CLSA analyst Brian Johnson says although CBA did not have a full picture of the state of Bankwest's loan book at the time of the acquisition, it was still a very good buy for the national bank.

"Very rarely in financial services do you actually see acquisitions that are truly value-accretive," he says. "They went through due diligence, but even then they didn't identify how bad the loan book was."

Johnson says the eastern states' small-to-medium developer market bogs down many of the big banks, particularly since the GFC. "But Bankwest seemed to really be where some of that rubbish resided," he says.

One disgruntled Bankwest client, Geoff Shannon, has set up a website to bring together like-minded customers and provide them with advice in tackling the bank.

The site, [unhappybanking.net.au](http://unhappybanking.net.au), also aims to put a dent in the bank's reputation by targeting its "happy banking" slogan.

Running since 2008 the happy banking campaign survived the CBA acquisition, and was also an important part of Bankwest's attempt to re-establish itself as WA's own bank after an aggressive eastern states expansion under HBOS.

Despite the campaign, the WA government is poised to cut one of its last formal ties with the bank by allowing it to rescind its banking licence. Under the Bank of Western Australia Act, Bankwest is required to keep its own operating licence, but under federal regulations, it needs to relinquish it and operate under the umbrella of CBA.

Working with Shannon is former Bankwest head of media Adrian Bradley, who himself is embroiled in a court action over the circumstances surrounding his departure from the bank in 2010.

Bradley has no doubt the unhappybanking website will be causing concerns for his former employer's marketing executives.

"The website is not just generic bank bashing," he says. "It's about challenging the brand and their conduct in relation to our members. Bankwest has gone out so aggressively with their marketing, compared to the big four, which are much more subdued."

"We believe people have a right to provide an alternative view on their experiences with the bank."

Ken Winton is one customer who would like to provide that alternative view. The former NSW developer had been self-employed for 36 years until the bank called in its debts on his apartment developments at Nambucca Heads.

He says the bank requested a valuation in November 2008 which came in 20 per cent lower than the previous valuation. The next day, he was issued with a default notice and a letter of demand for the entire loan amount for breaching his loan-to-valuation ratio.

While property prices were unstable during the global financial crisis, Winton says the valuation was completely wrong, down to the incorrect title description, and did not take into account recent sales setting a benchmark value.

Winton says he tried to dispute the valuation but he was moved to a penalty interest rate of 18 per cent. After wrangling over which assets to sell and for how much, the bank called in administrators in September 2009.

Winton feels he has a legal avenue to pursue but cannot afford legal representation.

Now, he says, unhappybanking has given him hope.

"We have no money as we've moved to Sydney for work," he says. "I do feel in relation to Bankwest we have been treated unfairly."

A Bankwest spokeswoman says talks are continuing with Winton to resolve the situation. "As a result of these ongoing discussions, it would be inappropriate to comment further," she says.

Butler says his situation spiralled out of control when a planned sale of one of his properties, the Lighthouse Hotel and Beach Resort in Bunbury, fell through.

He says he was about a month behind in interest payments but had the ability to pay that and continue servicing the debt, but Bankwest raised the rate to more than 10 per cent. Receivers were then called in on the properties, which he half-owns, and his business that operates them.

"It's scandalously wrong, and the hotel is profitable. There's no reason now for them to put the receivers into our cash-flow business," he says.

"If they want their money back, they should allow us to sell assets or refinance these properties, but having a bunch of highly paid accountants and bankers running a hotel and trying to run a building business just doesn't work."

Bankwest says it disputes Butler's account of events.

"The bank has had extensive and ongoing dealings with the owners of the Lighthouse Beach Resort in an attempt to reach an amicable solution to their financing issues," the spokeswoman says.

"Defaults occurred and receivers were appointed in July 2011.

"However, the bank has continued since then to work with all parties to achieve an acceptable outcome."

So just two years after the Bankwest banner flew high on his historic hotel, Butler is considering flying a different flag, one promoting his association with unhappybanking.

It will fly underneath the large "for sale" sign currently occupying pride of place on the historic but empty hotel.

The Australian Financial Review



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