

Royal Commission into Misconduct in the Banking, Superannuation and Financial  
Services Industry

Submission of Melville Ruddy

Commissioner the Hon K. M. Hayne AC QC,

Dear Commissioner,

Thank you for the opportunity to make a submission. In the following submission where I refer to 'we' this refers to myself and my wife Sarah Margaret Ruddy. My wife was a signatory to at least one of the loans with Bankwest and was a Guarantor to all loans with Bankwest.

1. The evidence of BankWest/CBA in relation to our matter came as a complete surprise and from my perspective casts a very different light on what occurred being.
  - a. The Bank did not just fail to advise us of the issues swirling around the Bank Manager it actively denied them throughout all their dealings with us personally, through the FOS and also through Farm Debt Mediation, and
  - b. Had we not been chosen as a case study for this Inquiry we would still today be oblivious to this wrongdoing.
2. From the commencement of the dispute we maintained there were significant issues with the original property valuations, whereby
  - a. Our representative emailed the Bank on the 12 November 2014 requesting 'Valuations relied upon to provide the facilities in October 2011 and those mentioned obtained in 2013'.
  - b. A request for this information was similarly requested to the FOS on the 25 November 2014.
3. The claims that the Bank had overvalued the original valuation was consistently and trenchantly denied by the Bank throughout. For example,
  - a. In the Bank's response to us dated 4 November 2014 they say 'The assessment was conducted as per normal Bank policy and took into consideration the security being offered, serviceability and previous repayment history as well as a current valuation.'
  - b. By letter to FOS dated 11 December 2014 the Bank claimed ...'Whether there is an LVR issue is irrelevant to the current situation. The default is a monetary default'...
  - c. By letter to FOS dated 13 April 2015 the Bank stated:  
"Maladministration in Lending - The Bank does not agree that there was any maladministration in lending. The Bank assessed the application under its standard policies and took into consideration security and serviceability as per our previous response."

“ Incorrect valuation of the property - The properties were valued by an independent valuer and not by Bankwest.”

4. Granted the powers of this Inquiry, not available to other farmers, we have become aware Bankwest/CBA knew the Bank Manager overvalued assets, in addition to having engaged in other serious alleged misconduct, at least three years prior to its response to us in 2014 and FOS early 2015.
5. Bankwest/CBA denials were echoed throughout farm debt mediation where we felt immense pressure to resolve the dispute in circumstances where we now know the Bank did not act in good faith.
6. Bankwest/CBA knowingly obfuscated the issue of the valuation errors during the FOS dispute by emphasising a reliance on a monetary default that we would not have been in had any of the following occurred,
  - a. The Bank Manager did not misled us with false valuations hence advising us of the extra capital we had to draw on. Consequently we would not had made the decision to move to Bankwest at all, and or
  - b. We did not alter our farm model (from trading to breeding) due to a reliance on representations made (being ample capital to draw upon) under the false valuations, and or
  - c. The Bank honoured its representation we had reserve capital to draw on irrelevant of the Bank Managers alleged misconduct thus allowing us to trade out of the situation rather than starving us of credit when most needed. Had the Bank honoured the availability of credit we would have capitalised and financially gained from being in a position to pick up cheap stock, provide ample supplement feed to our existing stock and avoid undersale of stock, and
  - d. The Bank complied with ASIC Regulatory Guide 165 (a requirement for granting of its Australian Financial Services License) in relation to standards of dispute resolution (both internal and external). In complying with the standards required for IDR and EDR the Bank would not have been in a position to utilise the false valuations to feather the ground for a monetary default.
7. In relation to the debt reduction (approx \$600,000) obtained via the farm debt mediation process this did not take into account our true losses. We strongly disagree with the Bank that the debt reduction more than adequately compensated us for the wrongdoing. We made substantial operational changes moving from a trading model to a breeding model. Such a move reduces income (hence a higher reliance on credit in the interim) until the change is effected (around three years). We were also advised to take out stock leases with the Bank of Queensland (totallying around \$180,000) rather than draw on the equity capital reserve available to us with the new Bankwest facilities.
8. It was also fully advised to the Bank Manager that the \$100,000 overdraft facility was not for stock purchase but for operating expenses which included covering of interest repayments, farm expenses and living expenses if necessary.
9. Some of the \$100,000 (approx \$17,000) obtained was used to repay final interest and account closure charges incurred on our Rural Bank loan accounts. These costs were

known to the Bank Manager and were clearly evident in our Rural Bank Statements. Once we accepted the new loans with Bankwest we immediately put in place operational changes hence available funds from trading cattle dried up meaning we did not have the capital to pay due interest on the Rural Bank accounts at the time of the changeover.

10. References by Ms Taylor that we had an unviable farming operation and that the Bank had extended us every courtesy through the provision of further credit failed to take into account the irregular interest charges being applied to our accounts (thus throwing our capacity to plan ahead out) and that the provision of this further credit was stagnated to coincide with Bank interest repayments.
11. The financial impact of having the Bank pull the rug from underneath us was devastating. This impact was further compounded by the drought and live export ban. Our estimated financial losses were over \$1,000,000 with losses continuing to this day. We have not recovered financially or emotionally from the effects of the conduct of the Bank.
12. In response to the evidence surrounding the Bank Managers resignation we respond as follows;
  - a. We say that the stated date of the Bank Managers resignation is consistent with a culture of coverup routinely engaged in by the Bank, whereby
  - b. On 21 July the Fairfax press published an article "Other People's Money" in their Good Weekend section. At page 16 the article refers to CBA Financial Planner "Dodgy Don" Nguyen being "allowed to resign.", and
  - c. In circumstances where the Bank Manager's letter of resignation appears staged rather than bonafide in that it is literally not feasible that a Bank Manager who is motivated to engage in wrongdoing on the basis of monetary incentives would willingly throw those incentive payments away with no other job to move to, and
  - d. Where CBA represented it had inadvertently discovered the wrongdoing by accessing the phone of the Bank Manager only after his resignation letter (but before his actual departure) reeks of a coverup to deny customers such as ourselves just compensation, and
  - d. I can only respectfully request to the Commission that it investigates further how many times Bankers involved in rogue behaviour within the CBA Group have been "allowed to resign" rather than being sacked and reported for misconduct.
13. CBA's conduct towards us assumes a new significance when viewed through the lens of what we actually knew about the Bank Manager. We were made to feel guilty, that our farms were unviable and that we were completely unreasonable in our expectations to be treated fairly. The Bank's actions were inexplicable and harsh at the time. Now they just seem inhuman.
14. Ms Taylor said during her testimony that the Bank did not take any "enforcement action" but as she defined it "enforcement action" did not include choking off working

capital, extending scant extensions of credit when interest was due and rendering our farms unviable.

15. During the whole dispute we felt that dealing with the Bank was like hitting our heads against a brick wall, particularly when they took money out of our account to pay for valuations out of schedule so we had no funds to buy supplementary feed for our cattle. Consequently we lost 80 beasts. It is just not easy to recover from.
16. Having now seen the strategy papers tendered to by the Bank to the Commission it is clear we could never have succeeded even in the circumstances where the Bank says it supported us in the interim. The Bank had decided on an "exit" strategy after the "formalities" of FOS and FDM. The small amounts of cash dribbled out now appear to be window dressing and not a genuine attempt to provide us with help. In their evidence the Bank repeatedly said we "agreed" to things. It did not feel like this to us at the time. We were powerless and felt we had to agree in order to appease the Bank.
17. A farm starved of working capital is a dying asset and doomed to fail. Ironically, the greatest harm was not perpetrated by the Bank Manager but by the Bank in reneging on the representations and promises made to us. The Bank's changes imposed on us left us vulnerable, with a half implemented expansion plan and with significant debt made in purchasing of breeding stock under the BOQ stock lease facilities.
18. The Bank was never honest with us and was never prepared to sit down and talk about how we could work collaboratively to rectify the situation caused by their own employees wrongdoing. We were simply stamped "Exit".
19. To this day the Bank still fails to take responsibility for what it has done to us. The Bank's position seems to be that they had a rogue employee but they were entitled to brush that aside and sell us up in a manner that was covert and underhanded.
20. Since the hearings the Bank has not contacted us, has not publicly or personally apologised to us. I am not the only affected farmer the Bank has done this to. I am concerned that clearly what the hearing and evidence tendered show is that FOS and FDM are processes that do not work fairly. It is not possible for them to do so when the Bank is able to obfuscate the processes and deliberately misleads the parties involved.
21. Our experience shows two things as being glaringly obvious and this is that we need an independent body to arbitrate these matters with the authority and skill set to make findings stick and a Government backed rural lender that understands farming and farmers.

In summation I apologise if this submission is not in the right format - I probably should have accepted the Commission's offer for legal representation but I had no idea what was going to come out of CBA's evidence. I have had assistance in preparing this submission from my advocates however they are not lawyers.



Mel Ruddy - 23 July 2018