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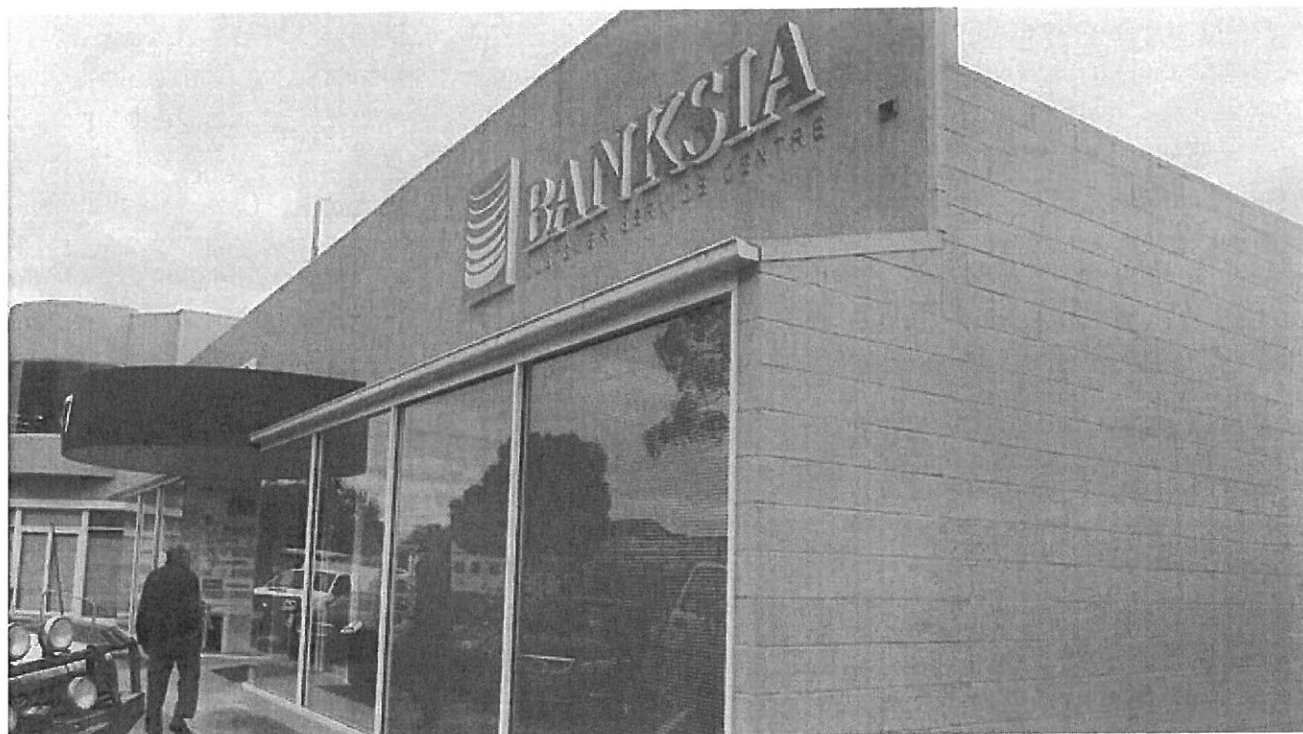
Banksia Financial Group investors sue in the hope of clawing back millions

- by: Katie Bice
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The Banksia Financial Group has been a significant employer in Kyabram; the company's customer service centre in the town. Picture: Tony Gough

Source: Herald Sun

A CLASS action on behalf of 16,000 duped Banksia investors has been launched against the failed lender and its directors.

Laurence Bolitho, of Kyabram, will act as the lead plaintiff on behalf of those who poured \$662 million into the company that collapsed in October.

Solicitor Mark Elliott said it was important for all debenture holders to have an opportunity to "get

something back from this mess".

"As far as we are aware it is the first (action) and as far as we are aware it will be the representative action on behalf of all debenture holders," he said.

Mr Elliott said he had been working on the case since Banksia's collapse.

"We were shocked at some of the initial findings of the receiver," he said.

"There appears to be multiple breaches of duty by multiple parties.

"There are some serious issues to be tried."

A senior counsel has been retained to help with the case.

Supreme Court documents outlining allegations of negligence by Banksia, company founder Patrick John Godfrey and directors Nicholas Livingstone Carr, Peter William Keating, Neil Stewart Mathison and Geoffrey Grenville Skewes were filed this week.

The statement of claim alleges Banksia and Cherry Fund Ltd were not run in a proper and efficient manner and Banksia failed to keep investors informed about the company position.

Court documents claim investors have been told Banksia had "likely been insolvent for some considerable time" before receivers were appointed.

It claims the extent of the insolvency is still unknown but investors stand to lose in excess of \$300 million.

Mr Bolitho's damages claim also lists as defendants The Trust Company Ltd and RSD Chartered Accountants, who were responsible for holding the invested money and for auditing Banksia's finances.

It is alleged the accountants failed to properly audit Banksia's books and report breaches of the law that might have been committed.

Receiver Tony McGrath told a receivership meeting earlier this month investors would get between 50c and 65c in the dollar and it could take up to three years to come through.

The receiver is investigating whether auditor negligence played a part in the demise with accounts approved only weeks before Banksia's collapse.

Mr McGrath told the meeting Banksia's financial woes could be traced back to the start of the global financial crisis.

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