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MONEY FOR LIVING SETTLEMENT

RETIREES CALL ON BANKS TO COME TO THE PARTY

Lawyers for retirees who faced eviction after the collapse of the Money for Living equity release scheme have called on the major banks involved to sort out the troubled ownership status and future maintenance of the affected properties.

The Supreme Court of Victoria and the Federal Court of Australia have approved a settlement scheme for retirees who sued Diakou Faigen, the law firm which advised them on selling their properties to the Money for Living scheme.

The confidential settlement approved by the courts affects the owners of 117 properties. The courts have also affirmed the former owners' right of lifetime tenancy as agreed when they entered the Money for Living scheme.

The scheme also provided for an upfront payment, monthly payments, and covered rates, insurance and maintenance on the properties. When the Money for Living scheme collapsed in September 2005 payments stopped to most former owners who were then responsible for properties they no longer owned.

For 90 clients of Slater & Gordon the situation was further complicated because Money for Living had on-sold their properties to third party investors, who had mortgaged them to banks.

Most of these investors have long stopped paying the former owners the payments agreed under the scheme. Nor are they paying for rates, insurance and maintenance. Meanwhile the banks cannot dispose of the properties because they are occupied by former owners with the right of lifetime tenancy.

Now that the retirees' claim against their legal advisors is resolved, the case moves to the next phase – sorting out the tangled ownership of the properties and trying to set up a new scheme similar to Money for Living, to benefit retirees, investors and the banks who hold mortgages on the properties.

Lawyer Ben Hardwick from Slater & Gordon says the retirees need some goodwill from the banks to sort out the mess.

“Almost all of the new owners have defaulted on their loans and – with the courts recognising the retirees' right to lifetime tenancy – it will be a long time if ever before the banks get back the money they loaned the new owners.

“If the banks could release these properties from their current encumbrance, a new scheme could be set up to administer them to the benefit of everyone concerned – the retirees, the banks themselves, and the eventual owners of these properties.

“These banks were attracted by the high risk low-doc loan products that underpinned the operation of the MFL scheme. Like everyone afflicted by the collapse of a property scheme such as MFL, the pain has to be shared around. To date the banks have not been prepared to share this pain.

“We call on the banks to meet with representatives of the retirees to resolve this matter.

“In February 2007 the State Government of Victoria agreed to provide stamp duty relief if a settlement scheme can be effected.

“The Government's offer will amount to nought unless the banks also come to the party.”