

Fundraising for South Canterbury Finance legal claims

By Audrey Malone (published and last updated on the Stuff website May 19, 2015)

South Canterbury Finance (SCF) investors left millions of dollars out of pocket met to discuss funding a possible civil action claim in Timaru on Tuesday morning.

About 230 people attended the meeting which was the third in a series of seven meetings being held across New Zealand by financial advisor Chris Lee, to urge SCF preferential shareholders to contribute money to the legal campaign.

SCF was placed in receivership in August 2010, with \$25 million of the \$120 million worth of preferential shares coming out of South Canterbury pockets.

Lee is seeking retribution from those who failed to provide continual disclosure of SCF's position before it collapsed.

"My contention is that we were not given the truth... The lack of morality has damaged New Zealand and the market in which we work in."

Among the actions he deemed as questionable was Treasury alerting the Minister of Finance that SCF was in dire financial straits, which it predicted would have a \$700 million shortfall when it collapsed. However it told the Minister of Finance it would not make any public announcements until after the Budget was released a month later.

Another concern was that SCF directors never made a single release to the public or the stock exchange of the financial woes it was having, even going so far as to pay out a dividend on preferential shares, something an insolvent company would not be able to do, he said.

Investors were asked to contribute a minimum of 0.5 per cent, or \$5 from every \$1000 invested, with a minimum of \$50.

Lee has already funded \$100,000 worth of legal advice from Queens Counsel, but has been instructed it will take four lawyers six more weeks of work to get an outcome.

Lee said \$60,000 had already been raised, which was 60 per cent of the way to the minimum amount required to continue legal action.

This may end up with a class civil action claim to try to recoup investors' money, he said.

New Zealand companies listed on the stock exchange have to abide by the rule of continuous disclosure, which means the market has all relevant information and all investors are able to make informed decisions on whether to buy, sell or hold shares.

Lee, who is from Paraparaumu, has been pursuing the grievances for five years through the New Zealand Stock Exchange and the now defunct Securities Commission.

The NZX agreed with Lee's complaint and referred it on to the SC. When the SC was disbanded and the Financial Markets Authority was formed, Lee took it to that organisation, which is supporting his actions.

In total Lee said he had sold SCF shares to 110 clients and the way the company's collapse had played out left him feeling "angry" and he wanted to resolve it.

Original article available here:

<http://www.stuff.co.nz/timaru-herald/news/68667216/fundraising-for-south-canterbury-finance-legal-claims>