South Canterbury Finance class action sets higher fighting fund target

By Richard Meadows (published and last updated on the Stuff website May 25, 2015)

Investors who lost millions in South Canterbury Finance (SCF) are stumping up more cash to pursue the possibility of a class action.

About 40 people attended a meeting in Auckland on Monday, the seventh and final held across the country by financial adviser Chris Lee.

SCF was placed in receivership in August 2010. While depositors were covered by the $1.7 billion taxpayer bailout, those holding $120 million worth of preferential shares were not.

A legal team led by Queens Counsel Chris Gudsell is investigating whether there is a case that a claim against SCF should be filed on their behalf.

One of the matters Lee raised was the failure to provide investors with continual disclosure of SCF's position.

SCF directors did not make a single release on the financial woes it was experiencing and even paid out a dividend on the preferential shares.

"We were robbed of our rights to accurate and timely information about the company," Lee said.

Investors have been asked to contribute a minimum of 0.5 per cent, or $5 from every $1000 invested, to fund the legal team's investigation.

If any claim arises, Lee said it would be covered by litigation funders, with no further contributions required.

The initial target of $100,000 has already been surpassed, and the new target is $150,000.

Lee, who is from the Kapiti Coast, sold SCF shares to 110 of his clients.

He said that though he would "dearly love" to be compensated for some of the $270,000 he had personally lost, there was also a moral component.

Lee has been pursuing his grievances for five years through the New Zealand Stock Exchange and the now defunct Securities Commission.

The commission's successor, the Financial Markets Authority, did not bring a claim of its own but has supported Lee's actions and provided access to documents.

Lee remained coy on the exact nature of the claim or who the defendants might be.

"There are some things I haven't said this morning that I'm not allowed to say," he said.

Contributors so far had put in an average of about $200 each.

One investor present at the meeting, with 75,000 preference shares, said he was prepared to chip in much more than that.

He was hopeful of matching a 10-to-1 return he received after being involved in a similar action against Babcock and Brown in Australia.

"I put my money in. I put in $400, and after a couple of years I got $4400 back."

Now in his eighties, the investor's only concern was that he might not be around to reap the rewards of any pay out.

Lawyers will make a decision on whether a claim is viable by the end of June.

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