

South Canterbury Finance legal action decision before Christmas

By Richard Meadows (published and last updated on the stuff.co.nz website September 17, 2015)

A team investigating possible legal action against South Canterbury Finance (SCF) has made "considerable progress", with a decision expected before Christmas.

Earlier this year, Kapiti financial adviser Chris Lee held a roadshow across the country rallying investors to the cause.

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 to file a claim against SCF on their behalf.

Shareholders have now contributed more than \$200,000 to fund the investigation, double the initial target.

Michael Connor, who is on the action group's committee, said the legal team had made considerable progress.

With over 4000 pages of documents scrutinised, breaches of continuous disclosure obligations had been identified and investigated.

Connor said the investigation was about 90 per cent complete.

The final phase involved getting an expert witness to evaluate the size and amount of each disclosure breach, and how it had affected the preferential shareholders.

The legal team would then be able to finalise the size of the proposed action -if any- and present its conclusions to the committee.

"We certainly will have a steer this year," said Connor.

Roughly a quarter of the 4000 affected shareholders have contributed to the legal costs so far, but Connor said more would be welcome.

"We will be asking people who haven't contributed to reconsider contributing."

If a claim arises, it will be covered by litigation funders, with no further contributions required.

If the group ultimately wins a cases, the action group intends to give those who have contributed priority over any settlement cash.

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