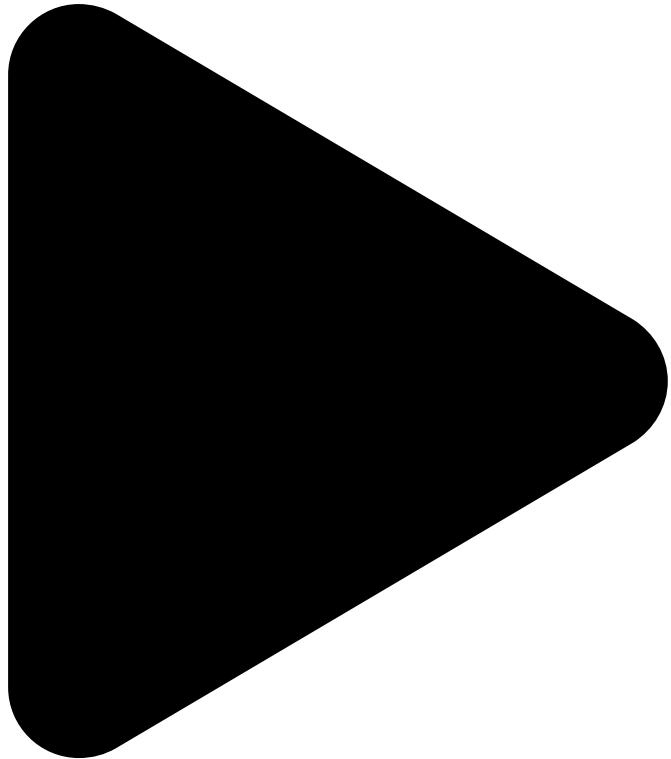


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Ross Coulthart: How can the National Australia Bank choose to work with a person like this? | 60 Minutes | 9Now

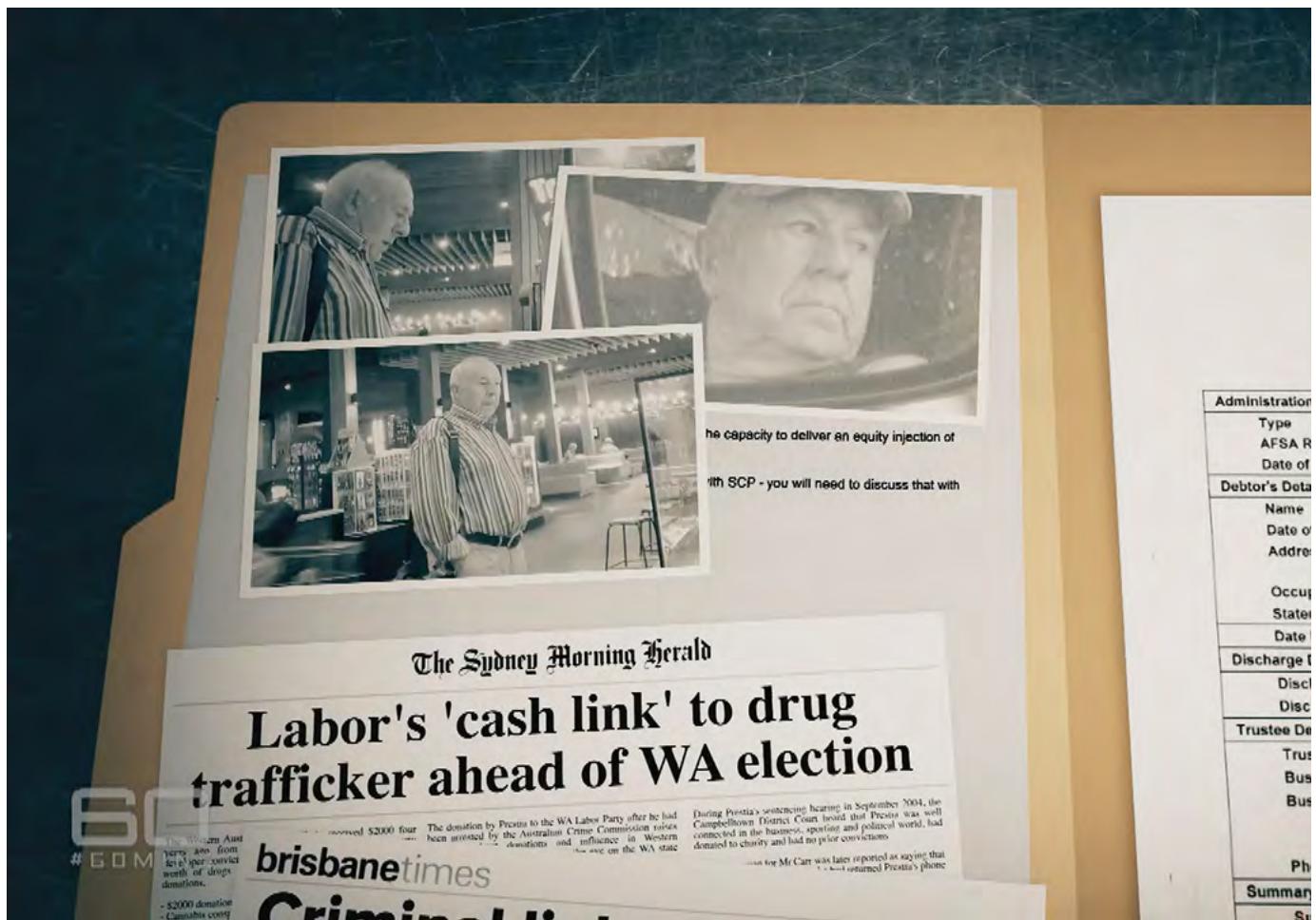


By Ross Coulthart

Two months ago, Andrew Thorburn, the boss of Australia's biggest bank, the National Australia Bank, told Federal Parliament that customers are the lifeblood of the business and must be looked after. 'Without customers, we have no bank,' the NAB CEO said. 'More than this, we strive for our customers to trust and respect us.'

Tell that to NAB small business customers Terry and Cathy Maloney, who say they lost their Daintree Eco Lodge business four years ago because the NAB pressured them to deal with a convicted criminal, Mr Joseph Prestia. It turns out that, before NAB introduced the Maloneys to Prestia, a self-styled corporate debt negotiator and insolvency expert, Prestia had already negotiated with the bank on behalf of several other clients – and he was still involved in at least three deals with the bank when 60 Minutes raised its concerns with the NAB last week.

What baffles the Maloneys and 60 Minutes is how NAB ever came to being doing business with Joseph Prestia because he is, to put it politely, an extremely colourful character with a long history of litigation, failed business ventures, and multiple bankruptcies that should have been well-known to NAB. Perhaps most alarmingly of all, he has also served jail-time for his admitted role in conspiring to supply a commercial quantity of illegal drugs – 68 kilograms of cannabis, information easily adduced from a simple Google search.

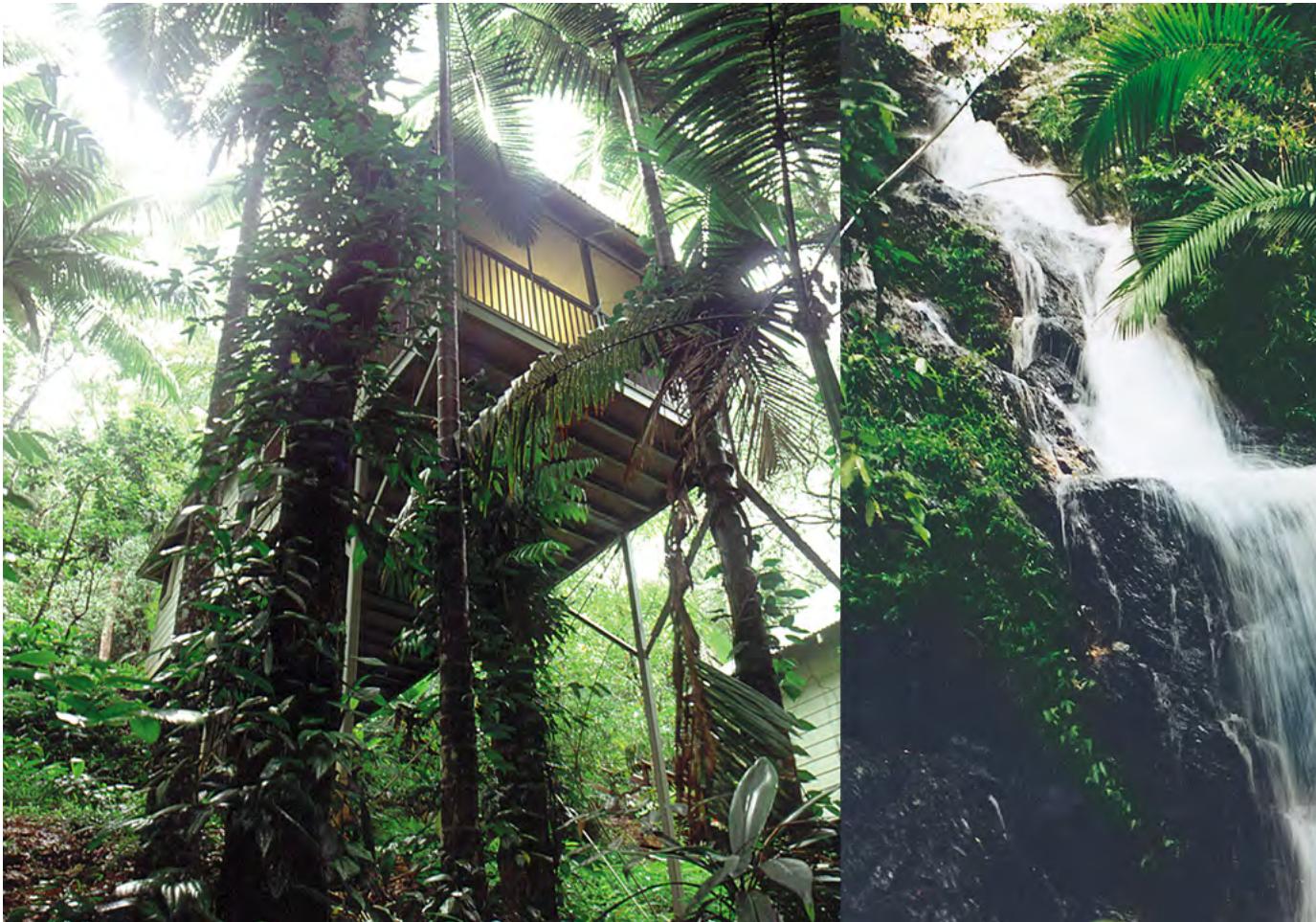


In December 2012 the Maloney's Daintree Eco Lodge won the much-coveted World Travel Awards' top prize for the World's Leading Eco Resort & Spa. Their small business was the darling of the Queensland Government not least because of its high-profile affirmative action programme training local aborigines to work in the business. It was also widely lauded by Tourism Queensland and Tourism Australia.



But barely three months on from their World Travel Award accolade, Terry and Cathy's business was sold off at a massive discount in a fire sale along with their private home. The couple was quite literally left on the street with nothing but the clothes on their back and a couple of rusty bicycles. They are now dependent on government benefits and the charity of one of their daughters; using materials largely donated by a farmer who was also an angry bank 'victim', they built what now passes for a home in their daughter's back garden, in reality: a corrugated iron shed patched with old doors and recycled materials.

From 1995, for over 14 years, the Maloneys had enjoyed a friendly and collaborative relationship with NAB, slowly growing their business to attract a select high-end international and local clientele, including famous entertainment and sports stars. They upgraded to build a wellness spa which provided massage and therapeutic treatments inspired by the bush knowledge of local Daintree aborigines. One of the major drawcards was a boardwalk on the property leading to a 20 metre waterfall adjacent to the Eco Lodge where international visitors sat enraptured by local indigenous guides' talks on aboriginal culture and history.



But the Maloneys trace the beginning of a change in their relationship with the bank to the fact that in the five years between 2008 and 2013, they had to work with no less than 27 NAB managers – whom the Maloneys believe increasingly lost sight of the history and potential of their business. NAB, for its part, maintains that it ‘supported the Maloneys over many years’ and that its aim had ‘always been to support the family in preserving their business’.

In the wake of the 2008 Global Financial Crisis, NAB suddenly became skittish about business property values in far north Queensland – Terry Maloney says the bank told them it was not ‘touching farms or tourism in North Queensland anymore.’ The strong Aussie dollar was deterring overseas tourists and fuelling market pessimism and no-one disputes times were hard. Whatever the reasons, NAB demanded the Maloneys reduce their debt.

Then, a second major blow: Cyclone Yasi hit north Queensland in early 2011 forcing about \$90,000 in repairs to the Daintree Eco Lodge. Terry and Cathy Maloney were horrified to learn that their insurance claim for that damage would not be met because their business insurer collapsed after the catastrophic Christchurch earthquake. They believed their bank would stand by them not least because the Australian Bankers Association had publicly promised after Yasi that all the major retail banks would stand by their customers. NAB eventually did agree to capitalise the interest on the Maloney’s major loans but it soon became obvious to Terry and Cathy that they would have to sell their business or find a major investor to bail it out. The Maloneys maintain they never missed their loan payments (a claim the bank disputes) but, as the bank tightened the purse strings, it was becoming increasingly difficult to run their own business. ‘They crippled it,’ Terry Maloney says. ‘They just hobbled it. It was like they were shooting shotguns in it so it’d sink.’

When the Maloneys' business was put into receivership in March 2013, two years after Cyclone Yasi, the bank justified the appointment of receivers as being due to trading difficulties in January and February 2011 'attributable to the side effects of adverse weather'. Terry and Cathy Maloney do not dispute that they were having problems; what bitterly upsets them is what they say the bank did to derail their efforts to find a buyer or investor for their business.



In May 2012 a senior manager in NAB's Strategic Business Services section in Brisbane emailed the Maloneys to tell them that the bank's equity team in Sydney had referred Joseph Prestia 'who may have the capacity to deliver an equity injection of \$2 million' into the Daintree Eco Lodge business. While this was welcome news, the Maloneys had already engaged the reputable Sydney firm Sydney Capital Partners to find a purchaser or equity investor for their business. Cathy Maloney says the couple was told in no uncertain terms on several occasions by NAB that it would be a 'conflict of interest' for them to continue to deal with SCP and that they were told they should deal with Mr Prestia alone. A follow-up email from the bank in late May 2012 demanded to know 'Have you terminated with SCP yet?' So, under pressure from the NAB, the Maloneys dumped SCP and agreed to work exclusively with Prestia.

Unsurprisingly, the Maloneys maintain it was reasonable for them to expect that before NAB referred a third party 'expert' like Joseph Prestia the bank would and should have done proper due diligence on him. They also felt reassured that the bank told them, at the time he was introduced, that Prestia was already working on another deal with the bank. But incredibly, the NAB's position is that no-one in the bank actually checked out Mr Prestia before referring him. NAB told 60 Minutes in a written statement this week that:

'A NAB staff member, who was unaware of Mr Prestia's bankruptcy or history, shared Mr Prestia's contact details with the Maloneys via email, as someone "who may have the capacity to deliver an equity injection". In light of the questions raised by 60 Minutes and from our own inquiries, we believe this is the only instance where NAB has passed Mr Prestia's details to a customer. NAB will not be engaging Mr Prestia or providing his details to any customer of NAB.'

What the NAB's response did not mention was that the 'staff member' who made the referral was a very senior bank executive – whose assurance about Mr Prestia's credentials to his NAB colleagues carried significant weight. NAB also did not mention what Joseph Prestia himself admitted in a letter from his lawyers to 60 Minutes, that the very same Strategic Business Services section of the NAB that introduced Prestia to the Maloneys was also responsible for winding up Joe Prestia's company Noble Capital Pty Ltd in 2008 because NAB was owed \$450,000. This led to Mr Prestia's most recent bankruptcy, of which the bank claims to have been unaware at the time it introduced Prestia to the Maloneys. It begs the question: how could NAB's managers who made the introduction not have known about Prestia's background if they had done the proper checks? This week the NAB conceded its mistake:

'We sympathise with the situation that the Maloneys are now in and regret not having researched Mr Prestia before sharing his details with the Maloneys.'

Joseph Prestia does deserve credit for bringing a genuine potential investor to the table. Malaysian/Singaporean businessman Kenneth Lee represents a high-net-worth group of private equity Asian investors on the lookout for lucrative investments in Australia. He loved the Daintree Eco Lodge resort and spa because it offered huge synergies with his group's other investments in organics and cosmetics. After he met the Maloneys in Brisbane in July 2012, Lee was very enthusiastic to make a deal: 'I liked them, I liked the deal. I liked the project.' Rather than buy the whole business, Lee recognised no-one could run the Daintree Eco Lodge better than the Maloneys.

'I always believe that ah the founders of the company ah they have put their whole heart into building the concept, right, and I believe they still should be part of the concept,' he told 60 Minutes.



So through Joseph Prestia, Kenneth Lee offered the Maloneys a 40% shareholding in the new business in a refinancing deal and for his 60% share he offered \$5.5 million. It was a terrific offer. This effectively valued the entire business at between \$9-10 million, which was what the Maloneys had always believed their business

was worth. It was a tantalising offer because it would not only have cleared all the Maloneys debts with the bank, but it also allowed them the opportunity to grow and expand the huge potential of their growing organics and bottled water business.

In that same visit to Brisbane Kenneth Lee was also taken by Joseph Prestia to meet two NAB executives at the bank's headquarters in Brisbane. He expected that this would be an opportunity for the bank to question him about the details of his \$5.5 million offer but instead, on the way into the meeting, Mr Prestia told him not to talk any numbers with the bankers. 'I was rather surprised,' Mr Lee says, 'that the two bankers they don't even ask me what is the price you're looking at you know.' He also found it highly suspicious that neither executive gave him a business card and that, instead of meeting inside the NAB's Brisbane headquarters, he was ushered to a quiet corner of a nearby café.

What Mr Lee did not know was that Joseph Prestia had lied to the NAB about his offer, telling the bank that Mr Lee's total offer was a total of just \$2.2 million. This was considerably less than the \$4 million in borrowings the Maloney's business still owed to the bank but – incredibly – without independently verifying Mr Lee's offer, the bank assured the Maloneys that it was willing to accept this \$2.2 million payment as full payment of the Maloney's outstanding debt. Bearing in mind that the reason for the bank's concerns about the Daintree Eco Lodge in the first place was that its value might not cover the business' \$4 million in loans, it is surprising to say the least that nobody in the bank sought to speak directly with Mr Lee to ask him exactly what he was offering. Even if the business had been sold at that \$2.2 million price the bank's shareholders would have had to wear the losses on unpaid loans of around \$1.8 million – but the NAB agreed to it without attempting to confirm Mr Lee's offer directly with him.

At the same time as he was misleading Mr Lee about the offer he had made to the bank, Joseph Prestia also told the Maloneys not to discuss the actual \$5.5 million offer with the NAB. In fact he instructed them to draft two contracts for the sale of the business: one for \$2.2 million that, he told the Maloneys in writing, 'the NAB will see'; the other was for the true price of \$5.5 million, to go to Mr Lee. Not surprisingly, the Maloneys lawyers advised them strongly not to have anything to do with this deception of the bank and the documents were never drafted.

In the end the whole deal with Singaporean investor Kenneth Lee fell apart because of Joe Prestia. After the strange meeting with the NAB executives in Brisbane, Kenneth Lee was also beginning to get suspicious about Joseph Prestia and it was becoming obvious to Prestia that his deal was in jeopardy. While driving through Sydney with Lee, Prestia questioned Mr Lee whether the reason why he was going cold on the deal was because of Prestia's own criminal background. As Kenneth Lee tells it, he knew nothing of Prestia's past criminal associations and he was alarmed to hear that the businessman working up his supposed \$5.5 million deal with the NAB and the Maloneys was a convicted criminal. It was the last straw; he pulled out of the investment.

For Terry and Cathy Maloney the Kenneth Lee deal was the major missed opportunity that sent them broke. Because of the bank's introduction to Prestia they lost a deal that could have saved their business and they were led inevitably into the fire-sale that saw their business sold for just \$800,000. Four years on, they are still angry that the NAB introduced them to Joseph Prestia. And, as the Maloneys are quick to point out, NAB's shareholders lost out as the bank sold their business for a fraction of what Mr Lee was prepared to pay.

'The banks are too big and powerful,' says Terry Maloney. 'They're more powerful than our politicians. Our politicians are shit scared of them. They've got power over all of us in business, people on the street- they're too powerful. And unfortunately, our politicians, over the years, have let them, the last 30 years that I've followed politics, have let them run the way they do.'

Watch:

- Crook Deal: [Part One](#)

- Crook Deal: [Part Two](#)

Viewer contacts:

To be attributed to Michael Hall – General Manager, NAB Business QLD/NT

“We sympathise with the situation that the Maloneys are now in and regret not having researched Mr Prestia before sharing his details with the Maloneys.

“NAB supported the Maloneys over many years, including during the GFC and into 2009 when the high Australian dollar impacted the tourism industry and the Maloney’s business. Additional funds were provided and payments were suspended.

NAB’s aim has always been to support the family in preserving their business, so that it could keep its doors open to customers and repay its debts.

From as early as 2007, the Maloneys had been exploring sale and investment options with numerous potential parties and advisors, including for a short period in 2012 with Mr Prestia. However no sale or investment contract was ever received by NAB.

Having supported the family through increasing financial difficulties from 2010 to 2013, NAB ultimately appointed receivers on 4 March 2013.

The receivers continued to trade the business and undertook a sale process to achieve the maximum sale price.”

Introduction to Mr Prestia:

“A NAB staff member, who was unaware of Mr Prestia’s bankruptcy or history, shared Mr Prestia’s contact details with the Maloneys via email, as someone “who may have the capacity to deliver an equity injection”.

“In light of the questions raised by 60 Minutes and from our own enquiries, we believe this is the only instance where NAB has passed Mr Prestia’s details to a customer. NAB will not be engaging Mr Prestia or providing his details to any customer of NAB.”

To get in contact with Terry and Cathy Maloney, you can visit their blog [here](#).

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