

Lawsuit puts Banksia bosses in hot seats

RECEIVERS winding up failed non-bank lender Banksia have moved to sue its key directors and auditor.

McGrathNicol yesterday said it had launched legal action against the key figures behind the collapsed rural lender after mediation attempts in July and August failed to come up with a compensation deal for out-of-pocket investors.

McGrathNicol did not say how much it was aiming to

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raise via the legal action but investors are still owed more than \$130 million.

Targets in the Supreme Court action include Banksia's founder Pat Godfrey, chairman Peter Keating and its Bendigo-based auditor, RSD Chartered Accountants.

The Australian Securities and Investments Commission banned Banksia's lead auditor

Warren Sinnott for five years in June after it found he had failed to adequately question the lender's \$500 million loan book. Receiver Tony McGrath said he hoped to resolve the litigation as quickly as possible to allow for a final repayment to investors.

"We are conscious that debenture holders have been waiting a long time for a final repayment," he said.

"We need to allow our legal

proceedings to unfold and report to debenture holders again in the new year with an update on those activities and the repayment profile."

The legal action by McGrathNicol is separate to a class action against Banksia's directors, which alleges they were negligent in their oversight of the group. Banksia collapsed in October 2012 owing 16,000 mainly rural investors more than \$660 million.