

THE TRIBUNAL RESUMED AS FOLLOWS ON MONDAY, 4TH DECEMBER

2000 AT 10.30AM:

CHAIRMAN: Before counsel for the Tribunal opens the matters in relation to which evidence will be adduced at this week's sittings, I wish to refer briefly to the matter of the health of Mr. Charles Haughey.

On foot of the matters that have already been referred to in public sittings, the Tribunal has arranged examinations of Mr. Haughey by two suitably qualified medical consultants. The need for the latter examination became apparent only upon receipt of the initial report. The latter of these two reports has only come to hand in extremely recent days.

In the context of insuring fairness to Mr. Haughey and seeking to ensure, as far as possible, that all relevant medical data necessary to ground an informed view on this important matter are considered, I am deferring, until Thursday at these sittings, a more detailed statement in relation to this matter. On that occasion, it is proposed that what has transpired will be set forth along with what is intended in relation to the ongoing involvement with this Tribunal of Mr. Haughey.

Mr. Healy?

OPENING STATEMENT WAS GIVEN AS FOLLOWS BY MR. HEALY:

MR. HEALY: Yes, Sir.

Now, Sir, the evidence in these sittings will cover a number of distinct areas, not directly relating to one another. In the main it will relate to evidence already given at earlier sittings in connection with a number of different matters.

The first matter I want to mention is the evidence of Mr. Joseph Malone. You will recall, Sir, that an affidavit of Mr. Malone's was opened in the last sittings and it was indicated at those sittings that in due course Mr. Malone will be giving evidence along the lines of his affidavit and if necessary an amplification of his affidavit and this evidence, the Tribunal expects to be able to call in the next few days.

I want to mention evidence to be given by Mr. Tony Traynor. The Tribunal has had a number of dealings with Mr. Traynor, the son of the late Mr. Desmond Traynor. Mr. Tony Traynor has already given evidence to the Tribunal and he has provided the Tribunal with a considerable amount of assistance concerning his knowledge of his father's dealings with Mr. Haughey and he will be giving evidence very briefly in the course of these sittings in connection with his knowledge of

his father's regular meetings with Mr. Haughey at Mr. Haughey's home.

You will recall that Mr. Haughey has given evidence concerning his recollection of the extent of his dealings with the late Mr. Traynor. From Mr. Haughey's evidence, it would appear that their dealings were not necessarily very regular or very frequent. Mr. Tony Traynor has now provided the Tribunal with further information concerning this matter. This is limited to what was stated to him by his father and is based on information he has obtained, having consulted with his mother and other members of his family. He has informed the Tribunal that his recollection is that his father used to meet with Mr. Haughey at Mr. Haughey's house in Abbeville on Saturday mornings very frequently, perhaps most Saturday mornings, but at least on two Saturday mornings per month on average.

His recollection is that his father would be away from the family home on those Saturday mornings for at least two hours. He also recalls that sometimes his father met with Mr. Haughey on Sundays. His recollection is that these meetings appear to have taken place up to the time of his father's death in 1994 and he does not recall any change in the pattern of the meetings up to that time. He has no knowledge of any of the matters

discussed at the meetings between his late father and Mr. Haughey as his father never spoke to him or any member of his family about these details.

The next separate or distinct item I want to mention concerns the evidence of Ms. Eimear Mulhearn. The Tribunal has requested the assistance of Ms. Mulhearn as the daughter of Mr. and Mrs. Haughey and therefore one of the connected persons within the meaning of the Tribunal's Terms of Reference, in connection with dealings between Abbeville Stud and Mr. Fustok. It will be recalled that evidence was given by Dr. John O'Connell and subsequently indeed by Mr. Haughey himself, concerning a payment of $\text{€}1/250,000$ made by Mr. Fustok through the agency of Dr. John O'Connell to Mr. Charles Haughey. The Tribunal was informed that this payment was in respect of the purchase price of a horse sold by Mr. Haughey to Mr. Fustok. While the Tribunal has obtained some information from Mr. Fustok, Mr. Fustok has failed to respond to a number of queries concerning this matter and other aspects of his relationship with Mr. Haughey. As Mr. Fustok is outside of the jurisdiction, the Tribunal cannot compel him to give evidence.

Mrs. Mulhearn was involved and has, for some considerable time, been involved in the day-to-day running of Abbeville Stud and the Tribunal has

addressed a number of queries to her, through her solicitors, concerning her dealings whether on behalf of her father Mr. Haughey or otherwise, with Mr. Fustok concerning the manner in which the purchase of a horse by Mr. Fustok was recorded in the records of Abbeville Stud and concerning the manner in which the receipt of £50,000 in payment for a horse was recorded in the records of the stud.

Mrs. Mulhearn has responded to the Tribunal on foot of requests for information concerning records at Abbeville Stud to the effect that the records for the relevant year are not available. It would appear that the records of Abbeville Stud are not kept for a period of greater than six years and this, so the Tribunal has been informed by Mrs. Mulhearn's solicitor, applies both to the financial or accounting records and to the records which one might expect a stud to keep of the horses the stud has kept of any breeding of those horses. The Tribunal will wish to pursue with Mrs. Mulhearn why this policy of six-year destruction was persisted in, notwithstanding the fact that this Tribunal had been set up, and the Tribunal will of course also wish to pursue with her memory, such as it is, of these or any similar transactions.

Now, I want to come to evidence which the Tribunal expects to be given concerning Princes Investments and

in particular a loan made by Guinness & Mahon to Princes Investments Limited, a company with which Mr. John Byrne and Mr. Thomas Clifford and his late brother were involved or associated. You will recall, Sir, that evidence has already been given by Mr. Byrne and by Mr. Tom Clifford in relation to the activities of this company and in relation to a loan made to this company by Guinness & Mahon. You will also recall, Sir, that evidence was given by a number of witnesses concerning a related transaction or related transactions involving a company known as Central Tourist Holdings, and attention was drawn to the similarities between the manner in which the loan made by Guinness & Mahon to Central Tourist Holdings and the loan made by Guinness & Mahon to Princes Investment were dealt with and in each case there were some very unusual similarities which have already been the subject of evidence.

The Tribunal's interest in this matter arose from a lodgment of $\text{£}260,000$ in July of 1987 to an account of Amiens Securities Limited in Guinness & Mahon. This was one of the series of Amiens accounts controlled by the late Mr. Traynor and was an account which was frequently used by Mr. Traynor for the purposes of routing funds lodged to or drawn from the account for what appears to have been the benefit of Mr. Charles Haughey. Shortly before that, $\text{£}260,000$ lodgment in

late May and early June of 1987, the account appears to have been used by Mr. Traynor to channel the proceeds of the Tripleplan cheque which were ultimately applied to discharge the outstanding balance on Mr. Haughey's no. 1 current account with Guinness & Mahon.

It will be recalled from the evidence of Ms. Sandra Kells that that lodgment of £260,000 represented the proceeds of a banker's payment drawn on Allied Irish Bank, and as I think the Tribunal of may have pointed out on a number of occasions, a banker's payment is an instrument which is used between banks where the payee of a cheque requires value on the cheque more promptly than within the usual four days required for a cheque to pass through the clearing process. Resulting from the Orders of the Tribunal made against Allied Irish Banks and from, as you will recall, Sir, the most exhaustive searches carried out by Allied Irish Bank, it appeared that the source of this payment was a debit to an account in the Tralee branch of Allied Irish Banks in the name of Princes Investments. This is a company with which, as I have said, Mr. Byrne and Mr. Clifford are associated and indeed of which Mr. John Byrne and Mr. Thomas Clifford are directors and is the company which operates the Mount Brandon Hotel.

The Tribunal was informed by Mr. Byrne and Mr. Clifford

that the $\text{€}260,000$ payment was made to discharge a loan made by Guinness & Mahon to Princes. The Tribunal heard evidence from Ms. Sandra Kells regarding this loan from which it appears that in July of 1987 when the funds were lodged to the Amiens Securities account, there was, in fact, no loan outstanding by Princes Investments to Guinness & Mahon and indeed, there had been no loan outstanding for nearly two years. It also appears from evidence given by Ms. Sandra Kells that the loan was, in fact, discharged, as I have said, some two years earlier on the 4th September 1985 with funds transferred from a Guinness Mahon Cayman Trust account, that is, transferred from an Ansbacher account.

Between September of 1985 when Ansbacher had discharged the loan and July of 1987 when the $\text{€}260,000$ payment was made, fictitious account statements were generated showing a loan or purporting to show a loan to Princes Investments. It would appear that these fictitious account statements were manually forced from the Guinness & Mahon computer system, there being, in fact, no way that the computer would have generated them automatically, and these in turn enabled Guinness & Mahon personnel to issue interest certificates purporting to suggest that interest had accrued on loans which didn't, in fact, exist.

It will be recalled that the Tribunal heard evidence in

March last that an identical process appears to have occurred within Guinness & Mahon, as I have already said, in the case of a loan to Central Tourist Holdings, a company of which, as I have indicated, Mr. Byrne and Mr. Clifford were directors and of which Mr. Denis Foley TD was also a director. That loan was also discharged on the 4th September with funds transferred from the self same Guinness Mahon Cayman Trust account. In other words, the self same Ansbacher account and once again fictitious statements were also generated and fictitious certificates of interest issued in respect of that loan in the period after the discharge of the loan by Ansbacher.

The Tribunal heard evidence last June from Mr. Clifford and from Mr. Byrne. Both Mr. Clifford and Mr. Byrne stated that they were not aware that the loan from Guinness & Mahon to Princes Investments was a back-to-back loan. They did not know, in other words, that the loan was secured in the form which the Tribunal has described time and again by an Ansbacher deposit secured in such a way that on the records of Guinness & Mahon, there was no clear or express reference to the security but only a coded reference to the security of the kind which we have come across time and again.

Mr. Byrne and Mr. Clifford stated that they did not

know that funds from Guinness Mahon Cayman Trust, i.e. that Ansbacher funds, had been used to discharge the loan. They stated that they did not know who might have been the beneficiary of these funds. They stated that as far as they were concerned, the loan was in fact still outstanding until July of 1987 when it was discharged with a payment of $\text{US}\$260,000$.

The Tribunal will be hearing further evidence from Mr. Clifford and Mr. John Byrne regarding this matter and will also be hearing evidence from Mr. Jack Stakelum.

It will be recalled that the interest certificates which were issued by Guinness & Mahon in November of 1985 and November of 1986 were addressed to Princes Investments Limited care of Business Enterprises Limited, a company which was controlled by Mr. Jack Stakelum. Mr. Stakelum has informed the Tribunal that he has no knowledge of the loan from Guinness & Mahon to Princes Investments, no knowledge of the repayment of the loan in September of 1985 or the payment of $\text{US}\$260,000$ by Princes Investments in July of 1987. He has also informed the Tribunal that prior to 1975 when he was a partner in Haughey Boland, he was involved in setting up the accounting systems for Princes Investments and he was, at that time, involved in the auditing of the company's accounts. After he left

Haughey Boland, he had no further involvement in the affairs of Princes Investments as such, that is to say no further involvement in the affairs of the company as such, but he did have a continuing role in managing the private funds of both Mr. Thomas Clifford and his brother Mr. William Clifford and indeed evidence has been given by Mr. Thomas Clifford that he relied on Mr. Stakelum as a general adviser. The private funds under the control of Mr. Stakelum, were placed by Mr. Stakelum with Mr. Traynor and it was Mr. Stakelum's belief that these funds, that is to say the Clifford private funds, were held by Guinness Mahon Cayman Trust.

Mr. Stakelum has informed the Tribunal that he was never asked by Mr. Traynor for the agreement of the Cliffords that their funds should be used to back a Princes Investments loan. Furthermore, he has stated that he was never asked by Mr. Traynor nor did he ever agree that any of the funds controlled by Mr. Stakelum and held for the benefit of the Cliffords should be used to repay the Princes Investments loan in September of 1985. Mr. Stakelum believes that if Guinness Mahon Cayman Trust funds were used for that purpose, in other words, if Ansbacher funds containing some of his clients' monies were used for that purpose, it is unlikely that he would not have been aware of it. He says that if those funds were used, it is unlikely that

they would have involved the Cliffords' funds. He has further informed the Tribunal that he was never approached by Mr. Traynor for his clients' agreement that their funds should be used for such a purpose and as he received regular information from Mr. Traynor about the funds under his control, any discrepancy in these funds would have come to his attention.

Mr. Stakelum's dealings with Mr. Traynor in relation to Mr. Clifford and his dealings, if any, in connection with Mr. Clifford's funds will be pursued in the course of evidence with a view to amplifying further the possible connections between or the potential connections, if any, between those funds and the dealings Princes Investments had with Guinness & Mahon.

Mr. Clifford has informed the Tribunal that he commenced giving money to Mr. Stakelum in 1976 and that he understood that this money was later placed in an offshore fund. Insofar as he is aware, Mr. Stakelum never organised back-to-back arrangements on his behalf or never organised any back-to-back arrangement on behalf of Princes Investments. He has reiterated that he has no knowledge of the repayment of the Princes Investment loan in 1985 and he has further informed the Tribunal that he never authorised Mr. Stakelum to use offshore monies belonging to him for that purpose and that such monies were not used to pay off the loan due

by the company with which he was associated, Princes Investments, to Guinness & Mahon.

It will be obvious, therefore, that there are continuing questions to be answered in relation to the unusual manner in which this Princes Investments loan was discharged and the fact that none of the principals in the company, so far as the evidence to date goes, appears to have any knowledge of how the company with which they were associated achieved such a marked reduction in its indebtedness in 1985 from a source with which, so far as the evidence goes, none of them had any association.

The Tribunal will be also hearing evidence, at least hopefully hearing evidence from Mr. John Byrne in relation to this matter.

The next item I want to mention is concerning Allied Irish Banks, and specifically further evidence relating to the conduct of the business of Allied Irish Banks with respect to Mr. Charles Haughey's affairs.

It will be recalled that the Tribunal's first opening statement and its first sittings were devoted in considerable part to the operation of Mr. Haughey's bank accounts with Allied Irish Banks. It will also be recalled that Mr. Haughey himself gave evidence in relation to his relationship with Allied Irish Banks

during the 1970s and the early part of the 1980s. It will also be recalled that in February of 1999, during the course of evidence from an official of Allied Irish Banks, Mr. Haughey's counsel on behalf of Mr. Haughey drew attention to the fact that it would not be appropriate for Allied Irish Banks officials to give evidence in relation to, what I might call, comparable debt situations to that of Mr. Haughey without reference to specific cases. Mr. Haughey's counsel indicated that he wished to see how Allied Irish Banks dealt with accounts which may have been in difficulty around the same time as Mr. Haughey's difficulties arose, some with assets equal to or greater than the assets in the case of Mr. Haughey or some with assets less than the assets of Mr. Haughey.

The Tribunal has directed an examination by Allied Irish Banks of a number of accounts which appear to be comparable in this sense and has directed Allied Irish Banks to extract from those accounts a smaller number of what the Tribunal now believes are fairly representative cases. Evidence will be given in relation to the manner in which the bank dealt with these cases. It is important to bear in mind that what is involved in this portion of the inquiry is the manner in which the bank acted, not the dealings of or not the manner in which any of the individual

clients acted. The Tribunal has not had access to details of the identities of the clients and indeed to do so would impose an intolerable burden on the Tribunal if it were to examine a vast range of bank accounts, involving notice to a large number of lenders over a very long period of time.

At the direction of the Tribunal, the bank has examined a vast number of applications for loans or for renewals of loans where the bank was lending large sums of money to personal, as opposed to, corporate lenders. The Tribunal has focused on personal borrowings involving lenders engaged either in the agricultural sector or engaged partly in the agricultural sector and partly in other sectors. The object of the searches being directed by the Tribunal was to identify borrowings in or around 1979 and 1980 of the order of those extended to Mr. Haughey where settlements were reached involving either write-offs or the forgiving of large amounts of interest as would appear to have been the case in respect of Mr. Haughey's borrowings. Mr. Vincent Clifford, an official of the bank, has provided the Tribunal with evidence concerning the material details of eight cases involving personal, that is non-corporate borrowings, where there were substantial write-offs. These eight cases indicate the enforcement strategies adopted by the bank in the case of large personal borrowings in or around the time the

bank reached a compromise agreement with Mr. Haughey.

From the information made available by Mr. Clifford it would appear that in most of these cases, the bank lent funds for purposes connected with the operation of or the expansion of agricultural activities. In the late 1970s and the early 1980s, it will be recalled that agricultural land was at a premium and very high prices were being paid by farmers seeking to extend their holdings or to extend activities on their existing holdings.

What the Tribunal has to consider is whether there were differences, and if so, whether these differences were material, between the manner in which the bank dealt with Mr. Haughey's borrowings and the manner in which it dealt with other large borrowings around the same time. The Tribunal has assumed that in the cases to be mentioned in the evidence of Mr. Clifford, the bank's dealings were strictly commercial and the ultimate settlements were prompted by essentially commercial considerations. What the Tribunal has to determine is whether the differences, if any, between the manner in which those cases were dealt with and the manner in which Mr. Haughey's case was dealt with were prompted by considerations other than commercial considerations. It's important to point out, of course, that the bank may not have extended any particular indulgence to

Mr. Haughey but may have been forced to deal with him on what, for the moment may be described as a more indulgent basis than the basis upon which they dealt with other borrowers. The bank may have been forced, for reasons which the Tribunal will have to inquire into, to deal more tenderly with Mr. Haughey inasmuch as the factors surrounding his position and the connections he had did not arise in the case of other borrowers.

In relation to the type of borrowing involved in these eight cases, it would appear that the activities being funded were investment activities as distinct from the activity or the borrowing in Mr. Haughey's case, which was unsanctioned and appears primarily to have been to fund his ordinary day-to-day activities.

It would also appear that in these cases, as indeed in many of the other cases, the details of which will not be mentioned, many borrowers were forced to sell lands and to reduce their overall wealth markedly in order to perform their side of the compromise arrangements entered into with the bank. In many cases there were, as far as the Tribunal can see there were sales of land or huge diminutions in the overall wealth of borrowers in order to meet the bank's requirements. One of the factors which should be borne in mind in relation to these cases is that they involve the making of

judgments by the bank as regards the investments for which the borrowings were being made; judgments as to the value of the investments and the capacity of the borrowers to repay. Ultimately, of course, whether by reasoning of changing economic circumstances or otherwise, these judgments which were no doubt calculated judgments, proved to have been misplaced. From the evidence which has been given to date, it does not appear that there were any similar judgments made in Mr. Haughey's case.

Now, I want to come to the last matter the Tribunal intends to deal with in the course of these sittings and this concerns Dr. Garret Fitzgerald.

This evidence arises out of a query raised once again by Mr. Haughey's counsel in the course of the evidence given by officials of Allied Irish Banks in February of 1999. Mr. Haughey's counsel requested, through the Sole Member, whether Allied Irish Banks had any other politicians on their books. Mr. Haughey's counsel was signalling the possible relevance of the manner in which Allied Irish Banks dealt with other politicians by comparison with the manner in which the bank dealt with his client, Mr. Charles Haughey. The Tribunal was not necessarily convinced at that stage, that it would be relevant to examine the manner in which Allied Irish Banks dealt with the indebtedness of other politicians,

but in any case, the Tribunal's consideration of the matter was overtaken by events in that sometime shortly after these matters were raised at the Tribunal's public sittings, reports appeared in the newspapers concerning dealings between Allied Irish Banks and another former Taoiseach, Dr. Garret Fitzgerald. I hasten to add that there is no suggestion that Allied Irish Banks or indeed Mr. Charles Haughey were responsible for these reports which appear to have been the result of leaks. But the fact remains that ultimately Dr. Fitzgerald was prompted to issue a statement concerning his dealings with Allied Irish Banks. Those dealings involved a significant indebtedness and the ultimate settlement of those indebtednesses on a basis which involved a write-off.

The Tribunal contacted Dr. Fitzgerald with a view to examining the matter. Dr. Fitzgerald provided the Tribunal with total cooperation in relation to this matter and has provided the Tribunal with every assistance in endeavouring to examine the circumstances of his settlement and all of the material documents.

Before the Tribunal made contact with Dr. Fitzgerald in relation to this matter, most of the material facts were already in the public domain. Dr. Fitzgerald's dealings with Allied Irish Banks were not contemporaneous with those of Mr. Haughey inasmuch as

they occurred in the early 1990s and not in the late 70s or early 1980s. Although Dr. Fitzgerald was not in power at the time of the indebtedness which resulted in a settlement with Allied Irish Banks, there are useful similarities and differences between the manner in which Dr. Fitzgerald's indebtedness was dealt with and the manner in which the indebtedness of Mr. Haughey and indeed, as I have indicated, some of the other borrowers dealing with the bank were dealt with by Allied Irish Banks.

Dr. Fitzgerald has informed the Tribunal that after his resignation as Taoiseach and also as leader of Fine Gael in 1987, he was approached by Guinness Peat Aviation with an offer to join that company's Board. As a member of Board he was entitled to buy preference shares. These shares carried special dividend rights which enabled him to convert them into ordinary shares.

Dr. Fitzgerald purchased these preference shares and ultimately purchased a substantial shareholding in Guinness Peat Aviation and in order to fund this purchase, he obtained significant borrowings from Allied Irish Banks. At the time these borrowings were incurred, confidence in GPA was high and

Dr. Fitzgerald, as well as being a director of GPA, had a number of other sources of income from lecturing, journalism and consultancy which left him with

substantial annual earnings.

By 1993, he owed Allied Irish Banks in or about
€170,000. It had been his intention originally to
discharge the capital sums borrowed out of the proceeds
of the disposal of his GPA shares. With the collapse
of the GPA public offer in mid-1992, he was, of course,
faced with a serious problem in relation to discharging
these debts, in that the only substantial asset he
possessed was his family home at 30 Palmerstown Road in
Dublin. He decided that he would have to continue with
a fairly demanding work load and indeed would have to
increase this work load and that he would also have to
contemplate disposing of assets. He retained advisers
to deal with the matter on his behalf, in particular,
the services of an accountant and a former banker and
ultimately reached a settlement with Allied Irish Banks
on the 17th November of 1993 which involved the payment
of €40,000 amounting to a 22.5% of the total amount of
the debt outstanding, together with an assignment of
the shares which were then much depreciated in value.

In order to fund this settlement, Dr. Fitzgerald
entered into an agreement with his son whereby his son
agreed to purchase at an independent valuation, his
only asset, his home at Palmerstown Road subject to the
carrying out of certain works which were designed to
enable Dr. Fitzgerald to continue to be accommodated in

a top floor flat to be used as an apartment for himself and his late wife at a rent of $\text{€}6,000$ per year for six years and rent free thereafter. The construction of the additional accommodation and the clearing of the mortgage to which the house was then subject left him with a net residue of $\text{€}30,000$.

After the settlement with Allied Irish Banks in the sum of $\text{€}40,000$, Dr. Fitzgerald, like many of the borrowers or the unidentified borrowers who will be mentioned in Mr. Clifford's evidence, was left with a marked reduction in his net asset wealth. In his case, he had lost his family home and was left with a tenancy interest in the property.

CHAIRMAN: Thank you, Mr. Healy.

JACK STAKELUM, ALREADY SWORN, WAS EXAMINED AS FOLLOWS
BY MR. COUGHLAN:

CHAIRMAN: Thanks for your further attendance, please sit down.

Q. MR. COUGHLAN: Mr. Stakelum, I think you have provided the Tribunal with another memorandum of intended evidence, isn't that correct?

A. That's correct.

Q. And I think you have it with you in the witness-box and you understand the procedures that we follow by now?

A. Do I.

Q. And I think this memorandum deals with the question of a loan made to Princes Investments originally back in the mid-1970s by Guinness & Mahon, the apparent discharge of the loan around 1985 out of Ansbacher or Guinness Mahon Cayman Trust and then subsequently the payment by Princes Investment in 1987 of $\text{€}260,000$ which went into Guinness & Mahon, isn't that correct?

Now, I think you have informed the Tribunal that you have no knowledge of the loan from Guinness & Mahon to Princes Investments Limited, the repayment of the loan in September 1985, the payment of the $\text{€}260,000$ by Princes Investment Limited to Guinness & Mahon in July 1987 or the lodgment of this sum to an account of Amiens Securities Limited in Guinness & Mahon, isn't that correct?

A. That's correct.

Q. I think you have informed the Tribunal that prior to December 1985, you were a partner in the firm of Haughey Boland & Company who were auditors to Princes Investment?

A. 1975.

Q. 1975, yes, I beg your pardon. And Haughey Boland were the auditors to Princes Investment at that time?

A. That's right.

Q. I think at the time you were involved in the preparation of the company's accounts and at the commencement of the company's business in 1976

A. '66.

Q. '66, I beg your pardon. You were involved in the setting up of its accounting system.

A. That's correct.

Q. The directors of the company were Mr. William Clifford, Mr. Thomas Clifford and Mr. John Byrne, is that correct?

A. Correct.

Q. And it was Mr. Byrne who introduced the business to Haughey Boland & Company in the first place, is that correct?

A. That's correct.

Q. Now, I think you left Haughey Boland in 1975 and started up your own firm on the 1st December 1975, is that correct?

A. That's correct.

Q. Haughey Boland continued to be auditors to Princes Investments and you had no further involvement with the affairs of the company, is that right?

A. That's right.

Q. I think you have informed the Tribunal that initially Mr. William Clifford and subsequently Mr. Thomas Clifford requested you to take over the management of certain funds of theirs which were held outside the jurisdiction, is that correct?

A. That's right.

Q. I think you have informed the Tribunal that you agreed

to do so and that these holdings were arranged through the late Mr. Traynor, is that correct?

A. Correct.

Q. Your belief at the time was that the funds were held with Guinness Mahon Cayman Trust as it then was, is that correct?

A. Correct.

Q. I think you have informed the Tribunal that you had no role in arranging the loan by Guinness & Mahon to Princes Investments or the security for the loan?

A. Right.

Q. I think you have informed the Tribunal you were not asked by Mr. Traynor for the agreement of the Cliffords, that their offshore funds should be used as a backing security for the loan to Princes Investments?

A. Correct.

Q. And I think you have informed the Tribunal that you have no knowledge of the repayment of Princes Investment loan to Guinness & Mahon in 1985 by funds transferred from an account in Guinness & Mahon in the name of Guinness Mahon Cayman Trust?

A. Correct.

Q. I think you have informed the Tribunal you were never asked by Mr. Traynor, nor did you ever agree that any of the funds controlled by you and held for the benefit of the Cliffords should be used for this purpose?

A. Correct.

Q. If funds held in Guinness Mahon Cayman Trust were used to discharge the Princes Investment loan, you believe that it is unlikely that this involved the Cliffords' funds.

A. Correct.

Q. Now, I think you have informed the Tribunal that you were never approached by Mr. Traynor for his clients' agreements that their funds should be used for such purpose, is that correct?

A. That's right.

Q. You received regular information from Mr. Traynor about the funds under his control. That's under your control, I think, which were held offshore under his control but placed by you, would that be correct?

A. That's correct, yeah.

Q. It was your practice to reconcile and balance the accounts of his individual clients in these amalgamated funds on a monthly basis, is that correct?

A. I am not sure what you said, did you say back the balance of these funds would be reconciled on a monthly basis, yeah, by me.

Q. If there was there was a discrepancy in the balances, this would have been apparent to you?

A. Right.

Q. No discrepancies came to your attention.

A. That's right.

Q. Now, in relation to the bank statements of Princes

Investments and the interest certificates which appear to have been addressed to your firm, you believe that in that regard, your office acted merely as a post box facility and that such documents as were received would have been forwarded most probably to Haughey Boland & Company?

A. Correct.

Q. Now, just in relation to that final matter in your Memorandum of Evidence, Mr. Stakelum, did you ever have any arrangement with Guinness & Mahon whereby your office or your firm's address would be used as a post box for the Princes Investment account statements?

A. I mean, it's a long time ago and I can't remember specifically, but I would believe that it would have been a very convenient means of operating, to preserve confidentiality. I am not sure who would have been involved in arranging loans with Guinness & Mahon for Princes Investments, but it may have been without the knowledge of local bookkeepers in the Mount Brandon Hotel etc., and this would preserve the confidentiality and I would believe that that was probably the reason that

Q. Well, when you left we will start at the beginning so. Mr. Byrne introduced the business back 1966 or thereabouts, is that correct, to Haughey Boland?

A. Correct.

Q. And at that stage, you and the firm of Haughey Boland

set up the account system for the new company and the Brandon Hotel, that would be the way it operated?

A. That's right.

Q. And did you, between 1966 say, and 1975, the end of 1975 when you left Haughey Boland, did you have an involvement in the auditing of the accounts of Princes Investments?

A. Very much so. In the beginning I would have supervised the audits. I am not sure when I finished, it would have been a long time before I left in '75 because I think it was another partner that handled things for a number of years. So I probably finished around '69 or '70 supervising the audit.

Q. Very good. To the best of your knowledge, were the registered office of Princes Investments at Haughey Boland premises?

A. I don't remember, I don't remember. I mean, he would have had a lot of registered offices of companies, but I don't know that.

Q. I understand. But up to the time you left Haughey Boland and to the best of your knowledge thereafter, Haughey Boland or Deloitte & Touche, continued to be the auditors for the company, isn't that correct?

A. That's right, and I think up to the present day.

Q. Up to the present day?

A. I think so.

Q. And I think we know from interest certificates which

were obtained by Deloitte & Touche in 1986 and '87,
that at least at that period, they were the auditors?

A. They were, they were continuing all the way.

Q. And from the point of view of the auditors, the
existence of the loan from Guinness & Mahon is
something which the auditors would have had to be
familiar with, isn't that correct?

A. Absolutely.

Q. And as regards confidentiality about the existence of
the loan in the first instance, there is no reason, or
is there, why Guinness & Mahon would not have sent the
account statements to the auditors?

A. No reason that I can think of, no reason.

Q. One can understand that maybe local bookkeepers, in the
operation itself, one may not have wished information
to become available, but to the auditors, the loan was
known to the auditors. The account statements could
easily have been sent?

A. Sure.

Q. Would you agree that, therefore, purely on the question
of the loan from Guinness & Mahon to Princes
Investment, the existence of your firm as a post box
appears to have been unnecessary?

A. Yeah, I wouldn't think that there was a necessity.
There might have been a practice of doing something
that evolved over the years. I mean...

Q. Now, is it possible that the significant reason why

your firm was used as a post box to preserve confidentiality or because it was an evolved practice, was the fact that your clients, the Cliffords, had monies offshore which you had placed with Mr. Traynor?

A. I couldn't see any connection whatsoever between those facts, none. I can't.

Q. Well, if we look at what actually happened in the case of this loan, I might ask for your view on it, Mr. Stakelum.

A. Sure.

Q. Did you advise both Mr. Cliffords or either Mr. Cliffords in relation to their personal business affairs?

A. Only really to the extent of monitoring their offshore funds I think. But I mean, occasionally, like, at a meeting one might be asked a general opinion about the Brandon Hotel and I would have had experience about it, so I am sure I would have offered whatever advice was necessary whenever I was asked, you know.

Q. I don't think there is necessarily suggestion that you were involved in a day to day or even a roll like Haughey Boland or Deloitte & Touche might have been involved in the affairs of the company in carrying out the audits and preparing accounts and matters of that nature. But it would seem, I suggest to you, reasonable that both or either Mr. Clifford might have asked for your view, on occasion, about matters?

A. I am not inclined to believe that they would have asked much about the Mount Brandon Hotel. I mean, they had other interests and things like that, I mean, anything might have come up at a stage and they might have looked for an opinion, but it wouldn't be it wouldn't be sought after advice. They would have had their auditors to advise them on whatever they needed to be advised on.

Q. Yes, both on the accounts side and the business side of the Brandon.

A. Absolutely, yeah.

Q. Now, you were asked by both Mr. Cliffords to look after or manage their monies which were offshore, is that correct?

A. That's correct not quite at the same time I think, William first and then

Q. And how did that come about?

A. I suspect that they had met me in depth, so to speak, through the audit of a new enterprise would have had a lot of teething difficulties, the Brandon Hotel, that's in '66 when I got involved, and it involved a lot more than just auditing down there. I mean, you were examining different aspects of the operations of the hotel and some that were uneconomic, looking at them in depth, to cut out costs. So there was quite much more than auditing was involved, and they moved from that that they operated a company of their own, a

family company, C. Clifford & Sons Limited, and they changed a couple of years later or within a couple of years, the auditors of that, to Haughey Boland & Company. But I didn't handle that audit. I mean, I was at that stage handling the Mount Brandon Hotel and, I don't know, over the years, a friendship came up and I suppose if they were looking for somebody that they trusted and could relate to and had a professional relationship for a period and that I was in a confidential situation through having a very small company as opposed to bigger companies, that they came to the conclusion that I might be the person that they could relate to and could trust to handle their funds and monitor the things. So there was a good relationship there over the years. And I might add that when Mr. William Clifford died, I was one of the couple of executives of his will. So there was that kind of relationship developed.

Q. It was a close relationship both as

A. Close business relationship, yes, although I think we would have been friends then over the years.

Q. Close business relationship bordering on friendship would be a fair way to describe it?

A. Yes.

Q. When you were asked to look after, or involve yourself in the offshore monies, was that after you left Haughey Boland in December of 1975?

A. I don't know the dates but it was certainly after I left, yeah.

Q. And what were these offshore monies?

A. Well, I mean, I am not sure. They were savings presumably of the two individual men.

Q. And were they actually offshore at that time or were they onshore?

A. I believe they were offshore at that time, I am not sure that Mr. Tom Clifford would agree. But I believe that they were offshore at the time.

Q. Well, can I take it that when you say you believe they were offshore, can you assist us as to where they were?

A. I think they were probably banked in Jersey, but I am not I don't want to be 100% on that. It's a long time ago.

Q. Very good. But wherever they were banked, they were not banked with Guinness Mahon at that time, were they?

A. I don't think so, no.

Q. And they weren't in any of the Guinness Mahon Jersey companies, if I could describe it like that, or College Trustees or

A. I don't think so. I have to be less than a hundred percent on that but I am close to it, you know.

Q. Very good. Now, to look after those particular funds, did you speak to Mr. Traynor?

A. Yes.

Q. And did you and he make arrangements for them to be

transferred under the control of one of his companies

or banks?

A. That's right.

Q. Do you know how that was done?

A. I am going on memory of what a procedure would be, not

being specific about it. Generally speaking, if a

client wished to transfer funds in those circumstances,

I would they would have to give authority to the

source where the funds were held. And Mr. Traynor

would give me what they call a routing, where the

client and I would advise the client and the client

would give instructions to the holding bank to route

the funds through whatever, with whatever references

were necessary, to a receiving bank etc. This depends

on whether funds are sterling or dollars or whatever.

Q. That would depend on the currency and where they were

held at the time?

A. Yes. And also presumably on whatever arrangements

suited Guinness Mahon at the time. I mean, I don't

know whether they would route them through Guinness

Mahon London or Guinness Mahon New York or wherever.

Q. But the ultimate designation was to be the Caymans, is

that correct?

A. I have to say that I believed that up to a few months

ago and it may well have been, but like, new

information has come in to suggest that I am not too

sure whether funds were held in Guernsey or in Cayman,

so, I would have presumed up to comparatively recently,
that it was through what was then Guinness Mahon Cayman
Trust, later Ansbacher I think.

Q. Now, we know that Guinness Mahon also had involvement
in the Channel Islands, particularly in the seventies,
isn't that correct?

A. In?

Q. In the 1970s?

A. Yeah, yeah.

Q. And that there seems to have been a movement, some
movement at least, of funds from there to the Caymans,
isn't that correct, Guinness Mahon Cayman Trust from
either Guernsey or Jersey?

A. Do you mean the Cliffords' funds?

Q. No, I am asking you

A. Generally funds.

Q. General funds?

A. I wouldn't know that.

Q. What about the Cliffords's funds?

A. My belief is that they were offshore and they would
have come and moved under the control of Mr. Traynor,
that I would have believed was to Guinness Mahon Cayman
Trust.

Q. Very good. Now, what discussion do you believe took
place between yourself and Mr. Traynor about the
transfer of the Cliffords' funds under his control?

A. I think there would have been general discussions with

Mr. Traynor about the facilities that were offered through holding funds offshore, funds through their subsidiary in Cayman and I am not sure where Channel Islands comes into that, I believe it was Cayman, wouldn't necessarily mean a connection with Clifford funds but when situations would have arisen then for clients, there would have been a specific request.

Mr. Traynor wouldn't necessarily know individual clients, but like, if there was a transfer of funds necessary to go into that situation, he would have to give me a routing of the thing, so you'd have a specific conversation about a routing.

Q. Very good. And that would tell you transfer such and such funds to account number, whatever the account number in a bank somewhere, for further onward transfer to

A. Where they would then move in his directions and he would route to the ultimate destination.

Q. Very good. Now, as far as you were concerned in relation to these particular funds, was any trust created, to the best of your knowledge?

A. No.

Q. And to the best of your knowledge, what type of fund or account was receiving the Cliffords' money?

A. The word I tend to use is hotchpotch. The funds would go to funds already established there and be just part of a bigger fund so to speak.

Q. Under whose control was that bigger fund to the best of your knowledge?

A. It would have all have been through Guinness Mahon, you know, but I would maintain the analysis of what the global funds might be. Now, if there were specific instructions from a client that would say, place for three months or six months, those funds might be isolated by my instructions to Guinness Mahon. But generally speaking, it would be a general fund into which I was the only one with the analysis of what the

Q. This was in respect of your own clients?

A. Yeah.

Q. Whose business you placed with Mr. Traynor?

A. That's right.

Q. And you kept an analysis in respect of your own clients?

A. Absolutely.

Q. Of the business you placed with Mr. Traynor?

A. Absolutely.

Q. And both Mr. Cliffords' funds were in that category.

They were clients of yours, you placed the money with Mr. Traynor and you kept an analysis of your own individual clients on a monthly, three-monthly, whatever, basis?

A. Monthly basis, absolutely.

Q. And to enable you to do that, did Mr. Traynor furnish

you with statements?

A. Yeah. Not necessarily monthly, but on I don't know whether to say regular or irregular intervals, but every few months, I suppose, but every month we reconciled on the basis of conversations on the telephone with somebody in Guinness Mahon.

Q. I see. With Mr. Traynor or with somebody in Guinness Mahon?

A. Hardly Mr. Traynor.

Q. I see, with somebody in Guinness Mahon?

A. Yeah.

Q. An official?

A. Yeah, probably one the name that springs to mind is Pdraig Collery but there may have been other names.

Q. So there was somebody in Guinness Mahon you could ring up and you'd have whatever sheet or analysis of your own particular clients and you'd see what the balances were

A. Exactly, exactly.

Q. And in respect of the work you did yourself, that is the analysis or the records you kept in respect of your own clients and the statements you received, what happened to those?

A. Well, periodically they would be shredded. They were of a confidential nature. That was the nature of the operation. I mean, I am not saying that each month you shredded the previous month, but six months you

shredded up to two months beforehand and so on it

continued.

Q. I see. So as far as you were concerned, you only had

a short period of record, would that be fair to say?

A. Yeah, but always reconciled to the penny.

Q. You had it up to date, but you didn't keep any of the

old statements?

A. No.

Q. And did you continue to do that up to the time that

Mr. Traynor left Guinness Mahon in the first instance

and after his period in Guinness Mahon?

A. Yeah, I continued up to the period of, when he left

after, but I then finished up with Guinness Mahon too

myself.

Q. When was that?

A. There is some confusion about it. I would have thought

I left in '88/'89. But I think there was some

remnants of situations that probably weren't cleared

out till '92 or so.

Q. And what happened to the funds that you

A. I transferred them to within the AIB group.

Q. You transferred them yourself?

A. Mmm.

Q. And how was that transfer effected? Were you able to

issue instructions to Guinness Mahon Cayman Trust or to

Ansbacher on behalf of your clients?

A. No. I think I recall having a lunch with Des Traynor

and saying "Do you mind if I move the funds out of

Guinness Mahon?" That would be what

Q. Out of Ansbacher as it was then, I suppose, by then?

A. You see, I wouldn't there was no need to mention

Ansbacher or such. I mean, I wouldn't say that.

Like, I would look at it as Guinness Mahon, whether

they were Cayman Trust or Ansbacher. But as I said I

presumed they were Ansbacher funds, but

Q. When you say you met Mr. Traynor, it was to transfer

the funds from Guinness Mahon offshore operations not

from

A. Oh absolutely.

Q. Not from Guinness Mahon itself.

Now, when Mr. Thomas Clifford gave evidence here, I

think in June of this year about this matter, he made

available or it became available on the day anyway, a

minute meeting of the directors held at Mount Brandon

Hotel on the 7th April 1976. Are you aware that this

particular document

A. I think in private session a copy of that minute was

shown to me.

Q. And perhaps now, as you'd expect present at the

meeting were Mr. Thomas Clifford, Mr. William Clifford,

and Mr. John Byrne. They were the directors. I

think we have it on the screen now. And the Guinness

& Mahon facility I'll give you a hard copy

Mr. Stakelum (document handed to witness.) it's

in folder number 2 and it's the first exhibit after the transcript of evidence of Mr. Thomas Clifford.

Now, just looking at what was resolved, first of all, that the facility in the sum of £116,000 be expected from Guinness & Mahon Limited on conditions set out in their letter of the 5th March 1976 to the company and that Mr. William Clifford and Mr. Thomas Clifford be under hereby authorised to accept the facility on behalf of the company and the guarantees that there was security for the foregoing facility was to be in the form of guarantees signed by the three directors, both Mr. Cliffords and Mr. Byrne.

Now, the minute and the Tribunal knows and you know yourself that meetings can be fairly informal things, particularly of companies of this size, and a minute would be drawn up for record purposes. But the minute does describe you as having attended this meeting.

A. Like, I see a posited puzzle, like, in the sense I had gone from Haughey Boland five or six months at that stage. What I'd be doing in Tralee, I'd have no knowledge of. I would never, in my knowledge, ever have received a fee from Princes Investments Limited or the Mount Brandon Hotel after I went on my own and I would be inclined to say, looking at that now - funny, from the meeting that I thought was held in Haughey Boland, this seems to be in Tralee - I would have said

that somebody made a mistake by putting me down there
except I think the date is absolutely my writing. The
26th April

Q. Down the bottom.

A. Seems to be my writing, although the 26th April
doesn't if I put the date on it and my name was on
it I must have been there. I have no knowledge of why
or how or why I would be sitting in at a meeting or
attending a meeting like that. I had no official
function with the company.

Q. Well, my inquiry really is directed as to whether you
knew at the time and had forgotten about the loan which
the company had got from Guinness & Mahon because that
seems to be discussing the loan itself, doesn't it, or
the accepting of the facility?

A. I thought this was ten years earlier, is it?

Q. That was when the loan was initially taken out.

A. Sorry, I didn't know that.

Q. The loan was taken out. Interest was paid. The same
happened in the case of Central Tourist Holdings.

Interest was paid up to the early 1980s. Then
interest ceased. The indebtedness obviously increased
over the subsequent period up to 1985 when the loan
appears to have been paid off in Guinness & Mahon's
books by Guinness Mahon Cayman Trust. That's how it
seems to have happened.

A. I didn't appreciate any of that now, but I can't count

for why I was in attendance at a meeting in Tralee, to minute the meeting. Don't know. Can't help.

Q. But you believe that the date is in your writing?

A. I believe the 26th April now, which is ten days after that or nineteen days after the meeting, I believe that is my writing and if it is and my name is on it, then I must have agreed with it, you know, but I honestly don't know why that might be.

Q. Would your firm have had any secretarial function at the time, or side to it?

A. Well, we formed a company BEL Secretarial Limited, I think that was later, to act as secretaries where that was necessary, but I don't think that would have been the function. I have a feeling it might have been something for me to get the documentation - in order for Guinness Mahon, I mean, it's not too polite to say I was passing through Tralee and they said would you do this? I just don't know. Obviously I had some involvement there. I have no idea why that would be.

Q. I just bring it to your attention because you did say in your memorandum, and I just want you to clarify the matter that you didn't have knowledge of the matter?

A. Now is the first time I appreciate that that thing I saw is one and the same loan.

Q. Very good. Now, I think you are aware now from documents brought to your attention by the Tribunal that the loan was backed by offshore funds in Guinness

& Mahon from information which the Tribunal has brought to your attention?

A. Incidentally looking at that thing now, the facility had already been granted at that stage. That was just authorising it to be accepted on behalf of the company.

Q. That's right.

CHAIRMAN: Sorry, Mr. Coughlan, before we leave that, Mr. Stakelum, was it the situation after you left Haughey Boland, but they retained the audit, that you may have given some incidental advices to the Clifford brothers about matters perhaps relating to bar profit or something like that, but you would not have specifically purported to advise when your former colleagues held the audit?

A. I don't think so, Mr. Chairman. Like, if I can be mundane about it, then I would be sending them an invoice for some work and I don't think that ever happened in this situation. I did a lot of work in the first few years of the Brandon opening, tapering off probably around '70/'71. But there was a connection and the connection was maintained and there was a great connection with Des Traynor. I don't recall but I mean, I could have been asked now by Mr. Traynor to facilitate, say, the correspondence or something in connection with the loan, but I don't recall that. I don't recall.

Q. MR. COUGHLAN: I am looking at the facility letter, perhaps we could just put it up, to note the content of it for the moment. It's the date of the facility letter from Guinness & Mahon and as you say, that resolution is authorising the drawing down or the taking up of the facility.

A. That's right.

Q. The facility letter is dated 10th April 1975. You could have been in Haughey Boland at the time and that may explain

A. I would have been in Haughey Boland at the time. I left in late '75.

Q. I am wondering, could it have been that the facility letter came to your attention in Haughey Boland and that this was just a tidying up of the situation?

A. I suspect so. I certainly would have seen that I am sure at the time, you know, because so, I would have been aware of the facility letter and I suspect that that's a tidying up of some formalities in connection with it and can I say, I suspect that I probably wasn't in Tralee at that time at all. They do the informality of meetings I mean, I don't know that for a fact.

Q. I accept that. But that may be the explanation I think. But as you will see, the facility letter is sent to Princes Investments and obviously it's addressed to the secretary of that company and the

registered office appears to be Haughey Boland.

A. That was probably Secretarial Trust Company. They had a secretarial company there and they would have acted as secretaries, probably.

Q. I suppose it brings me back then to the question, Mr. Stakelum, as to why a regime, whereby it is known to somebody in Amiens Street, in the Haughey Boland office or in some other company associated with it, about the loan granted by Guinness & Mahon to Princes Investments Limited or at least the offer of the facility is known there, yet all correspondence or all statements relating to the account are then addressed to your new firm after you leave Haughey Boland?

A. I am not sure that all statements and everything relating to the account I thought there were certificates sent on an annual basis which we would have forwarded to Haughey Boland & Company. If we got statements, I wouldn't know why, because we wouldn't have any interest in it. We wouldn't have any interest in looking at what the balance might be or what the certificate of interest or

Q. What I just have to inquire, according to the minute of the meeting and as you say, and of course it can be readily accepted that an informality would attach to the drawing up of minutes of the company, but you have left Haughey Boland and you have some involvement, at least it would appear, with this loan in 1976.

Statements are sent to your firm and could it be that the reason why you had an involvement in 1976 is because you had taken over the management of the Cliffords' offshore money and that it was known to somebody that this loan was being backed by offshore money?

A. I don't think there is a connection there.

Q. I see.

A. I fail to see that connection because it doesn't seem to me valid enough. All I can say about it is that I would have had a very embracing relationship with Guinness Mahon and Des Traynor. He would certainly have known, because he would have been the partner, I wasn't even a partner in Haughey Boland & Company when the client Princes Investments came initially in '66, he would have been the partner in charge, he would have been the introduction, so to speak, through his connections with Mr. Byrne. He would have been at the final stages of discussing the final accounts with me and the clients at that stage. He would have recognised would have known before he left that the Cliffords, through their family company, had become auditors in or become clients of Haughey Boland & Company and he would have known my, I suppose, ongoing in-depth connection there. I would have been the next to him in terms of knowing Mr. Byrne and the two Mr. Cliffords.

Now, it can only be that he may have looked to me or they looked to me to tidy up whatever documentation was needed with G&M and then there was a practice of sending these out I don't know why and I don't think it's not always fact of what's necessary, it's a client's perception of it being more desirable, you know, maybe to send the stuff to client roll rather than to because I had moved and I had left.

Q. And perhaps that's an area that I should explore with you, because maybe you have identified the issue yourself, what the client would consider more acceptable in the circumstances.

I think, would you accept, if I can just go through a few facts with you. Haughey Boland were the auditors and advisers to Princes Investment from 1966 up to the time you left, to the best of your knowledge, anyway?

A. Yeah, and right up to date.

Q. And they continued after that?

A. (Witness nods.)

Q. We know from the evidence given by Mr. John Byrne himself that he had a very close relationship with Mr. Traynor in relation to his financial affairs, isn't that correct?

A. Correct.

Q. And we know from Mr. John Byrne that Mr. Traynor, through offshore entities, looked after certain affairs

of Carlisle Trust, for example, and other matters

relating to Mr. Byrne, isn't that right?

A. Correct.

Q. We know that you were asked by both Mr. Cliffords, one

subsequent to the other, to look after their offshore

affairs, isn't that correct?

A. Correct.

Q. And that would have been around the time you were

leaving Haughey Boland, to the best of your knowledge?

A. Yeah, give or take a year or that, I am not sure.

Q. You placed that business, or you arranged that business

through Mr. Traynor?

A. Correct.

Q. A loan was obtained from Guinness & Mahon by Princes

Investments Limited. On the face of it, an ordinary

standard loan, secured by the guarantees of the various

directors, isn't that correct?

A. Yeah.

Q. That was initially dealt with by way of a facility

letter being sent to the secretary of the Princes

Investment at the offices of Haughey Boland, isn't that

correct?

A. Yeah.

Q. What changes then is that the statements in relation to

the loan, this loan which Princes Investments had with

Guinness & Mahon, they are addressed to your firm's

offices, isn't that correct, thereafter?

A. So the Tribunal tell me, yeah.

Q. And the common factor, it may be coincidental, is that Mr. Traynor is now effectively involved in the offshore affairs of all three directors, isn't that correct?

A. Not necessarily. He wouldn't necessarily now, I am not saying he didn't, but he wouldn't necessarily have been aware of the Cliffords' offshore funds as being belonging to them.

Q. I see. How did you deal with Mr. Traynor so?

A. I can only talk in general terms. For a client, I would merely be saying to him that I have funds that need to be transferred and give me a routing and funds would be routed on the client's instructions from wherever they were to the receiving bank that he would allocate.

Q. I am just interested and the Tribunal is interested, you wouldn't necessarily inform Mr. Traynor of who your client was?

A. No, no. I have to say the Cliffords might be a special case. He was very close to John Byrne and I don't know in their case, but generally speaking he wouldn't know who my clients were and I don't know at what stage he might have become aware that there were funds there belonging to

Q. How did you and he carry out your reconciliation?

A. He only he would well, Guinness Mahon would only talk in terms of what their total account would be and

you'd have an opening balance. It was done every month. An opening balance and mostly by telephoning at the end of the month, what the interest earned was, if there were charges etc., if there were withdrawals, the closing balance and that would agree to a penny and you moved on. But

Q. You did your own reconciliation within

A. That might be a dozen people involved in that, you know.

Q. And what account name or what account identification would there be for that?

A. I don't know, I have been asked for that. They would have used some simple code reference like an initial and a number, I don't remember. I am left them a long time.

Q. And you were the one who would know the identity of that coded account?

A. Absolutely. The identity might be an analysis. It might be a number of people.

Q. You'd know it?

A. I'd know who the

Q. You'd know who they were?

A. Yes. And clients, you see, they could ring up and check their balance with me on a monthly

Q. You had to account to your clients, isn't that correct?

A. Right.

Q. So you'd have to now, and I just want to be clear

about this, because this is helpful information,

Mr. Stakelum. It's possible, in your view, that Mr.

Traynor was aware of the identity of the Cliffords but

he may not have been, is that correct?

A. Yeah, I am inclined to feel probable in that case but may not have been.

Q. You think it's probable that he did?

A. Yeah.

Q. Because there can be little doubt on the records of Guinness & Mahon that this loan, which was guaranteed by the three directors, was cleared by Guinness Mahon Cayman Trust in 1985. It was a back-to-back loan.

A. I can be very unhelpful to you on this in the sense that I wouldn't have arranged that loan. That loan would certainly have been arranged by Des Traynor. He was very close to John Byrne and the normal bankers for the company were AIB, so this loan, I didn't look at the purpose of the loan, but

Q. I think it was for refurbishment or

A. Like, it would have been additional to the normal requirements of what one would seek from the normal bankers, AIB, probably, and whether that was a difficulty in credit worthiness at the time, I don't know, but that would, in my view, be arranged by Mr. Des Traynor and the repayment of it as explained to me is an incredible story, but I know nothing about it.

Q. And you would have been you would have continued to

receive your information to enable to you carry out your reconciliation on behalf of your clients in 1985?

A. Absolutely. There would never have been a month go by that I didn't reconcile.

Q. And if that sort of money moved, it's something that you would have been aware of. If it had moved out of the Cayman accounts?

A. Well, absolutely, although all I am doing is getting a statement periodically or a thing on the phone but I mean I would have been aware, as far as I am concerned, they never moved.

Q. Do you think Mr. Traynor was the sort of man who would have been conferring an unnecessary benefit on your clients, both Mr. Cliffords, in those circumstances or

A. I am not sure

Q. Paying off their loan?

A. I don't know the circumstances. What I understood from being explained to me in the private sessions and the public sessions, evidently the loan seems to have been paid off two years before it was really paid off.

And I don't know the explanation for that. Various suggestions were made that, you know, maybe it was a liquidity factor and he was moving funds, I would have no idea. I mean, I wouldn't be privy even to that information. And I have a feeling that I was hardly getting the statements up to '85, was I? I mean, I

think that might have been a short-lived thing.

Q. That's unclear. That is unclear.

A. I wouldn't have thought so. I would have thought that that was an extension of the connection with Haughey Boland that would have lasted for two or three years maybe or something, but I don't know.

Q. But you see, as far as Guinness & Mahon were concerned, the loan was paid off in 1985 with the transfer of funds across from Cayman?

A. So I gather, yeah.

Q. And then what happened in 1987. Mr. Clifford put up $\frac{1}{2}$ 100,000 out of his company. Mr. Byrne put up $\frac{1}{2}$ 100,000 out of Carlisle and Princes Investments put up $\frac{1}{2}$ 60,000 out of their own funds and that went to Guinness & Mahon but it didn't go into a Guinness Mahon account to clear any loan off. It went into one of these Amiens accounts controlled by Mr. Traynor and it was dispersed all over the place.

A. I don't have any explanation for that. I am only hearing that through the Tribunal.

Q. Have you any idea what might have been going on?

A. No. In discussing it in private with the Tribunal, the suggestion that Guinness Mahon came under some liquidity problems and maybe Mr. Traynor used some offshore funds to pay off loans that were there to solve the liquidity situation, but I mean, I don't know that for a fact. I don't know.

Q. But the money that came back in, that is the money that came back in from Mr. Clifford, Mr. Byrne and Princes Investments in 1987

A. The $\frac{1}{2}$ 260,000?

Q. The 260,000, that didn't go back out to Cayman, to the best or at all, didn't go out directly at least, because it seems to have been dispersed to a number of different places.

A. I wouldn't have any knowledge of that.

Q. Now, to the best of your knowledge, if Mr. Traynor was using offshore money here, it was not unusual for him to do a switch, if I could describe it that way, that he had to have funds here if he wanted to go abroad as well?

A. You'll have to explain that a little more clearly to me.

Q. I think you would know that in general terms, you may have obtained funds for clients here in Ireland, isn't that correct?

A. Yes, yeah.

Q. Cash?

A. And a switch, if they wished to place their funds offshore

Q. Well, not necessarily themselves, but if somebody wished to place money offshore, Mr. Traynor had access to Irish money here. If somebody in Ireland had money offshore and wanted cash in Ireland, they needed to get

Irish money, isn't that correct? And if somebody in Ireland wanted to have money offshore, they'd have Irish money and the switch would take place?

A. That's right, no funds moved, just a journal entry.

Q. Just a journal entry would take place and the cash would be transferred from one to the other?

A. That's right.

Q. That was a route at least Mr. Traynor used for getting monies offshore and for getting monies onshore, isn't that right?

A. I don't know whether he did or not, but I used that facility on a few occasions myself, but I don't know what he would have done.

Q. Well, I think there has been much evidence in the Tribunal that he did that and I think it wouldn't surprise you, would it?

A. No, it wouldn't.

Q. We know in this case we know that $\text{€}260,000$ of offshore money was used to pay off a loan in the bank, isn't that correct, on the records of the bank? That was foreign money used for that purpose. The evidence has been that the $\text{€}260,000$ put up by Mr. Byrne, Mr. Clifford and Princes Investments did not go into Guinness & Mahon to pay off the same loan, but went into accounts controlled by Mr. Traynor and dispersed to whatever sources?

A. The logical thing is that it should replace the funds

that had been used to pay off the loan originally. If it did or did not, I mean, there is no way I can help on that.

Q. Could I ask you this, you received at least some accounts or your firm received at least some accounts statement in relation to this particular loan and you have expressed your view about that. You would have carried out a regular reconciliation with Guinness & Mahon or with Mr. Traynor or somebody in respect of your clients in general, isn't that correct?

A. Absolutely, yeah.

Q. And on a less regular basis than monthly, you would have received statements from Mr. Traynor, is that correct?

A. Right.

Q. Would those statements be on Guinness Mahon Cayman Trust notepaper? Were they that type of statement or were they a plain sheet, to the best of your knowledge?

A. I'd say they were probably plain sheeted. They were like computer bank statements I think, like, you know, but I

Q. And to the best of your knowledge, those were the only type of documents you would have received from Mr. Traynor?

A. In connection with offshore funds?

Q. First of all, in connection with offshore funds and secondly, in relation to this particular loan if you

received, you don't recollect, but if you received the bank statements, it was only bank statements. You wouldn't have received any other correspondence?

A. The certificates, the interest certificates at the year end.

Q. The interest certificates, that would be it to the best of your knowledge?

A. Yeah.

Q. Thank you Mr. Stakelum.

CHAIRMAN: Is there anything referable, Mr. Meenan?

MR. MEENAN: I just have a few questions for this statement.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. MEENAN:

MR. MEENAN: I appear on behalf of Mr. Thomas Clifford and Princes Investments Limited and I just want to deal with two matters which have arisen in the course of your evidence.

Q. Firstly, it was the case that Mr. Clifford was a client of yours, isn't that right?

A. In connection with monitoring his offshore funds?

Q. In connection with the handling of his investments and the monitoring of his investments?

A. Yeah.

Q. And I take it it would follow from that, you charged

him a professional fee for doing that work?

A. That's right.

Q. And in consideration of that professional fee, you would manage those funds in accordance with your financial knowledge and so on, isn't that right?

A. Really on his instructions, it was really deposit interest, you know.

Q. I see. But when you were referring to transferring those funds to Mr. Traynor, that would be part of the process of managing the funds which you were doing on his behalf, isn't that right?

A. That would be the start of it.

Q. Right. But I mean, can I take it from that that you were the person in the driving seat as far as the Clifford funds were concerned, and you managed them and in the course of managing them, you would have given them to Mr. Traynor, is that right?

A. I would only have commenced managing them when they were given to Mr. Traynor.

Q. I see. And I mean, I take it then that as the person who was managing the funds, you would have felt it was your duty to ensure that those funds, that you were aware of the where the funds were and how much was there?

A. Certainly I would have known how much was there every month.

Q. And that that was part of your duties, I take, to the

Cliffords?

A. As to where they were, I am not sure. I believed up to quite recently, that they would have been Guinness Mahon Cayman Trust.

Q. I see.

A. But it's possible that they may have been held by Guinness Mahon in Guernsey or something like that.

Q. But at the end of the day, whether they were held in Guernsey or somewhere else, you would have to satisfy yourself at the end of every month that every penny was accounted for?

A. Absolutely.

Q. If I can just then in that context, if I can look at the repayment of the loan on the 4th September of 1985. Now, in your statement you said that you believe that it was unlikely that this repayment involved Clifford funds.

A. Right.

Q. And can I possibly put it a little bit more strongly than that, that on the basis of your knowledge, it did not involve Clifford funds?

A. On the basis of my knowledge it certainly did not involve Clifford funds.

Q. Could I even go further and say it could not have involved Clifford funds?

A. It could not have involved Clifford funds as far as I was concerned, unless records were being falsified.

Q. Indeed, and the reason for that was firstly, that if it had involved Clifford funds, it would have meant that Mr. Traynor would firstly have to seek your permission, isn't that right?

A. That's correct.

Q. And secondly, leaving aside the matter of permission, had those funds been used in discharge of that loan in September of 1985, it would have shown up on the monthly balances?

A. Absolutely.

Q. And just when Mr. Traynor left Guinness & Mahon, you made a reference in the course of your evidence which I wasn't entirely clear about, but ultimately transferring funds to AIB.

A. I terminated my relationship with Guinness & Mahon and transferred whatever funds I had abroad to AIB abroad.

Q. And did that include the Clifford monies?

A. Yes.

Q. So yet again had the Clifford monies been used for the purpose of discharging the loan in September of 1985, that would have shown certainly at that stage?

A. I mean, it couldn't have been, because I would have recouped all the funds at that stage back.

Q. Now, just going back to that transaction in September of 1985. It does appear that the Princes loan was discharged and Mr. Coughlan, on behalf of the Tribunal, asked you was that not conferring a benefit on the

Cliffords or Mr. Clifford? But if it was if, as was the case, that that loan was discharged in July of 1987 and to discharge that loan Mr. Clifford lent money to Princes Investments, then it would appear that if there was any benefit being conferred in 1985, it was very short-lived?

A. Well, I don't see any benefit to Mr. Clifford. I mean, if a loan is paid off, the borrower was Princes Investment Limited, then the benefit would be conferred to Princes Investments Limited, not Mr. Clifford, but what I understand the situation is that a loan was paid off from using offshore funds and then some two years later the fund was paid off from onshore funds which the logical conclusion is that the offshore funds are put back, but that didn't happen. The funds went back into an Amiens account. That's the dilemma as I see, but you will remember at the end of the day there is no benefit to Mr. Clifford there.

Q. Indeed. And I think, I don't know if you are familiar with the matter or not, but the Clifford's firm, Clifford Limited, which is not the correct title but I am going to use that name, lent £100,000 to Princes Investments and that money was recorded in the books of the Clifford company and was ultimately repaid by Princes Investments and also recorded in the books.

Would you be familiar with that?

A. I wouldn't be familiar with that, but

Q. Thank you very much, Mr. Stakelum.

MR. HEALY: Mr. Clifford is here to give evidence and while in the ordinary way I wouldn't ask you to go beyond half twelve, Mr. Clifford has some medical problems which are not of huge significance, but it might be preferable if Mr. Clifford's evidence was to be given before the lunch time adjournment. It will not take very long.

CHAIRMAN: This would be your preference, I take it, Mr. Meenan?

MR. MEENAN: Absolutely, Mr. Chairman.

CHAIRMAN: Thank you again, Mr. Stakelum, for your assistance.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. Tom Clifford.

TOM CLIFFORD, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS

BY MR. HEALY:

CHAIRMAN: I think, Mr. Healy, there were some acoustic problems on the last occasion, so maybe you might go a little bit nearer to the witness.

Q. MR. HEALY: I will go over here Mr. Clifford to I'll be closer to you.

Now, do you remember giving evidence the last day?

A. I can, yes.

Q. And you remember that, you must remember that you are still sworn from that occasion. You took the oath on that occasion, do you remember that?

A. It took the oath.

Q. You took the oath on that occasion. You swore, do you understand me? The Registrar asked you to take the oath.

A. Yes, I took the oath.

Q. It's the same oath, we don't go through it a second time.

A. That's okay.

Q. Then I think a number of other queries were raised with you and you have provided a short statement to the Tribunal which I am going to read out now. Do you understand what I am going to do?

A. I am sorry, I am not my hearing is not good.

(Copy of statement handed to witness.)

Q. If you look at that document there. Now, you are familiar with that document, aren't you?

A. I am, yeah.

Q. And what I am going to do is I am going to simply read out that document.

A. Right.

Q. It contains your responses to a number of queries.

A. Right.

Q. And then I have just one or two short questions to ask

you.

A. Right.

Q. You say that you have prepared this Memorandum to the best of your knowledge, information and belief, having made inquiries of Mr. Jack Stakelum.

A. Yes.

Q. So far as you recall, in or about 1976 you commenced giving money to Mr. Jack Stakelum for investment purposes. "I understood that this money was later placed in an offshore account.

A. There is a small correction there. I gave them to Mr. Stakelum and I presume he was putting it somewhere, but I don't know where.

Q. I see. As far as he was concerned anyway, he was putting it in an offshore account.

A. Yes.

Q. "Further monies were given to Mr. Stakelum from time to time."

A. That's right.

Q. "At no time did Mr. Jack Stakelum arrange a loan with Guinness & Mahon on behalf of Princes Investments Limited."

A. That's correct.

Q. I think you told me the last time that it was Mr. John Byrne made those arrangements?

A. Yes.

Q. He handled the Guinness Mahon side of the Princes

Investments, the Mount Brandon affairs, is that right?

A. That's correct.

Q. "As far as I am aware, Mr. Jack Stakelum never organised back-to-back arrangements on my behalf, nor, insofar as I am aware, did Mr. Stakelum ever organise any back-to-back arrangement on behalf of Princes Investments."

A. That's correct.

Q. "As previously stated, I have no knowledge, direct or indirect, of the repayment of the loan on 4th September 1985." Then you go on to say, "I never authorised Mr. Jack Stakelum to use offshore monies or any part of them belonging to me for this purpose and I say that such offshore monies as I held" - meaning that Mr. Stakelum may have controlled for you "or any part of them were not used to pay off the loan due by Princes Investments to Guinness & Mahon?

A. That's correct.

Q. "Having made inquiries of Mr. Stakelum, I have been assured by him that the content of this memorandum is correct."

Now, I just want to remind you of just one part of your evidence that you gave to the Tribunal the last time you were here. If it's of any assistance, it's on pages 45, 46 sorry, I beg your pardon, most of it is, in fact, on pages 52 and 53 of the transcript.

What I was asking you about was the time that you paid off the £260,000. And you said you remembered paying it off.

A. I do.

Q. And you said Cliffords wrote a cheque for £100,000. Basically they gave a loan to Princes and it was paid back subsequently?

A. Yes, and that was paid back about December of that year.

Q. Right. What you said was you realised that you had to pay the £260,000 to meet your commitments. You say that you realise the account was overdue, which it was.

And you made the agreement to make a £100,000 loan and for John Byrne to make a £100,000 loan as well at a meeting that you had, I think it might have been in the Mount Brandon Hotel. Isn't that right?

A. Yes.

Q. You had a meeting. I don't know if you remembered where it was, but you did have a meeting.

A. That's correct. We had a meeting here in Dublin. John Byrne agreed to make - he said we had to, we have to settle this loan. He said it's up to you to pay £100,000 on loan from Cliffords, C. Clifford & Sons Limited. And he was putting up the same amount of money and the hotel would make a payment £260,000 to clear off the £260,000 and that all worked perfectly.

Q. Right. Now, at that meeting, was it Mr. Byrne put up

the proposal as to how you'd pay off the money?

A. It was Mr. Byrne.

Q. And was it Mr. Byrne told you "We'll have to pay it off, it's overdue"?

A. Yes.

Q. Am I right in thinking, because the Tribunal has examined all the documents in Guinness & Mahon, that you never received a letter from Guinness & Mahon saying "Dear Sir" addressed to Princes Investments, "You owe us $\text{£}260,000$. It's overdue and we want it paid." You never got a letter like that?

A. No.

Q. Normally if your overdraft with the bank was going a bit high, you mightn't get a very threatening letter but you would get a number of gentle reminders from your bank manager, wouldn't you, saying things are little out of control, and what are you going to do about it? And if things got to the point where you are going to have to write cheques, the bank manager would be getting more stern and more cross each time he wrote to you, isn't that right?

A. (Nods.)

Q. And in this case, I think Mr. Stakelum has confirmed and you are confirming it that you never had any contact from Guinness & Mahon at all?

A. No.

Q. Mr. Byrne was the man who told you what you'd have to

do?

A. Mr. Byrne was the person.

Q. Thank you very much.

MR. MEENAN: I have no questions, Chairman.

CHAIRMAN: Very good. Well, thanks for your attendance again, Mr. Clifford. Then you needn't be troubled after lunch. That finishes your evidence and thank you for coming again. We will take up the relatively short balance of today's witnesses then at 2.15.

THE WITNESS THEN WITHDREW.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

THE TRIBUNAL RESUMED AS FOLLOWS AT 2.15:

MR. COUGHLAN: Mr. Tony Traynor.

TONY TRAYNOR, PREVIOUSLY SWORN, WAS EXAMINED AS FOLLOWS

BY MR. COUGHLAN:

MR. BARRY: Chairman, I appear for Mr. Traynor. Kevin Barry solicitor.

Q. MR. COUGHLAN: Thank you, Mr. Traynor. I think you prepared for the assistance of the Tribunal a statement or a memorandum of your evidence on this particular matter that you were asked about, isn't that correct?

A. Yes, I did.

Q. And do you have that with you?

A. I do indeed.

Q. It's my intention just to take you through the statement, maybe ask one or two matters which may need clarification at the end.

A. Fine.

Q. I think in your statement, you say that: "The Tribunal has asked me about any knowledge either I or my family have in relation to my late father's meetings with Mr. Charles J. Haughey. I have consulted with my mother and other members of my family and our combined recollection is as follows:

"1. My father used to meet Mr. Haughey on most Saturday mornings. I cannot recollect exactly how many Saturdays per annum but there would have been at least two Saturdays per point on average." Is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that your recollection is that your father would be away from the house for at least two hours and this would include travelling time of anywhere from 45 minutes to one hour, is that correct?

A. That's correct, yes.

Q. I think your recollection is that these meetings took place at Mr. Haughey's residence in Abbeville, is that

correct?

A. That's correct.

Q. I think you have informed the Tribunal that your recollection is that these meetings normally took place on a Saturday morning but there were occasions when your father would have visited Mr. Haughey on Sundays, is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that for as long as you can remember, your father had such regular meetings with Mr. Haughey right up until the time of his death in May 1994, is that correct?

A. That's correct.

Q. You cannot recall any change in the pattern of these meetings, nor do you know whether your father met Mr. Haughey at other times during the week, is that correct?

A. That's correct.

Q. Now, you have informed the Tribunal that neither you nor any member of your family have any knowledge of any matters which were discussed at the meetings between your late father and Mr. Charles J. Haughey, your father never spoke to any of you about these meetings, is that correct?

A. That's correct, yes.

Q. Thank you Mr. Traynor.

CHAIRMAN: Thank you very much for your attendance.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. Vincent Clifford.

VINCENT CLIFFORD, HAVING BEEN SWORN, WAS EXAMINED AS
FOLLOWS BY MR. HEALY:

Q. MR. HEALY: Mr. Clifford, you are the head of risk management for AIB and you have held that position since 1966 1996, I beg your pardon?

A. 1996.

Q. And your responsibilities include credit policy development, independent review of the quality of lending and considered management in branches and in all credit departments; advising divisional management on the adequacy of bad debt provision and advising divisional management on strategic credit issues, i.e., credit growth. Is that right?

A. That's correct.

Q. "For example, credit growth" is what I should have said. You have at the moment a fair overview of all of the credit issues that arise in Allied Irish Banks, is that right?

A. I would have, yes.

Q. And you have been, I suppose, deputed by the bank to assist the Tribunal in relation to a number of queries concerning how the bank dealt with credit issues, isn't that right?

A. That's right.

Q. And you have conducted quite an amount of research within the bank with a view to answering queries addressed to you by the Tribunal?

A. That's correct.

Q. You have provided the Tribunal with a statement and also with a considerable amount of information concerning individual cases, isn't that right?

A. That is correct.

Q. Now, one issue that may arise in relation to these individual cases is that what the Tribunal is dealing with is information concerning accounts of customers that are known to you but are not known to the Tribunal.

A. Okay.

Q. And I think in some of the information you have provided to the Tribunal, it has been agreed that you would refer not to individual years, not to individual people at least in public, but that you would refer to years or to certain aspects of the circumstances of indebtedness in a general or in a coded way, not so as to in any way obscure the information the Tribunal is looking for but so as to ensure that people are not identified by third parties.

A. That's correct.

Q. In other words, if I could put it briefly, what the Tribunal is interested in in relation to all these

files that you looked at is the bank's side of the file, how the bank looked at something or how the bank conducted itself in relation to something. The Tribunal has little or no interest in the individual concerns of the customers themselves.

A. I understand that.

Q. Now, you have also provided the Tribunal with a general statement and I'll go through that first and I'll ask you to agree with me as I go along and ultimately I may have some queries for you in relation to the specific cases.

You say that you joined Provincial Bank of Ireland Limited in 1965. You say: "I have been involved in the credit function of the bank at all levels from assistant manager in 1971 to senior lending executive in 1983. I joined group risk management in 1987 and have held senior positions there prior to my current appointment. In a letter of the 4th February 1999 the Tribunal solicitor sought details of the number of accounts in the bank in which there was an indebtedness in the order of between 500,000 and $\frac{1}{2}$ million at any time in 1979 or 1990 1980," sorry. You say the bank is unable to provide details of the number of such accounts, but you say that an examination has been made of such records as are available of applications processed by the Board Advances Committee and by the

Central Advances Control Committee in 1979 and 1980.

You say that the Board Advances Committee, which would be the most senior of those two committees in terms of the bank's internal management structure, is that right?

A. That's correct.

Q. You say that the Board Advances Committee dealt with applications in excess of $\frac{1}{2}$ 500,000 for new advances, new loans for half a million pounds and more?

A. Yes.

Q. And dealt with I think there may be some mistake in the typing here of the draft Memorandum of Evidence and dealt with applications for renewals in excess of $\frac{1}{2}$ 1 million. Am I right in that?

A. You are right in that, yes.

Q. And the Central Advances Committee dealt with applications for new advances, would that be between 250 and $\frac{1}{2}$ 500,000 to make sense obviously?

A. Yes.

Q. And in respect of renewals up to 1 million, was that

A. That's correct.

Q. So as to dovetail the work of the two committees?

A. That's right.

Q. You say that in 1979 the Board Advances Committee appears to have processed some 373 application in a total amount of $\frac{1}{2}$ 1,336 million; of these, ten applications in a total amount of 15 million appear to

be what might be described as personal borrowers while 363 in a total amount of 1,321 million might be described as corporate applications.

In 1980, 360 cases were processed by the Board Advances Committee in a total number of 1,865 million; and of these, some eight cases, in a total amount of 18 million are personal borrowers and 352 in a total amount of 1,847 million are corporate borrowers.

Insofar as the more junior Credit Control Committee is concerned, the Central Advances Control Committee in 1979 processed some 584 cases in a total amount of 264 million; of these, 157 in a total amount of 57.9 million are personal cases and 427 in a total amount of 206.1 million are corporate. In 1980, there were 548 cases processed by this committee in a total amount of 278.5 million. 87 cases representing some 32.5 million were personal and 461 cases representing some 246 million were corporate.

Obviously what those figures show is that there were more corporate borrowers coming before the Board than before the Central Advances Committee, isn't that right?

A. At that time, yes.

Q. At that time obviously, because of money values.

A. Yeah.

Q. And that there were more, what we have described as,

personal borrowers representing a larger amount total indebtedness coming before the Central Advances Committee?

A. That is correct.

Q. Again, that would seem reasonable because the Central Advances Committee had a limit of up to 500,000 in respect of renewals and 250,000 for new loans, is that right?

A. No, no, a million up to renewals.

Q. I am sorry, a million up to renewals or up to a million or renewals?

A. And half a million for new advances.

Q. For new advances, yes. You say that it must be noted that these figures relate to applications for the extension of new credit or the renewal of existing facilities where a sanction had expired. There would, of course, in addition, have been cases of indebtedness of the relevant order which had been sanctioned in previous years and were still outstanding in 1979 or 1980, and you also say that not all of the applications processed, which were approved, would necessarily have been drawn down.

But I suppose we can take it that the vast bulk of them would have been drawn down in any case?

A. Quite a lot would have been, yes. We would still I wouldn't have any figure now to say how many weren't, because the records wouldn't show that, but you could

say quite a substantial amount of them would have been drawn.

Q. You then refer to a subsequent letter from the Tribunal of the 22nd April of 1999 in which the Tribunal requested the bank to examine these applications and the manner in which these accounts were dealt with with a view to explaining whether borrowings were repaid and whether the management of the account entailed enforcement of the bank's security, if any, the threat of enforcement, or the compromise of any part of the indebtedness including interest or the granting of any other indulgence to any of the borrowers where the question of repayment was concerned.

The Tribunal was also anxious to ascertain whether the Board Advances Committee or the Central Advances Control Committee at any time in the year '76 to 1980 inclusive took any action to enforce the bank's rights against borrowers in the case of indebtedness including interest in the order of between 500,000 and a million.

The Tribunal, in a further letter of May of 1999 asked for an analytical breakdown of the various applications for banking facilities as follows:

"Distinguish between the number of applications with respect to agricultural investments and farm land purchases or in capital projects on farms and other applications in both absolute and percentage terms."

I think this arises from some exchanges at the Tribunal where reference was made to the vast number of members of the agricultural community who had large borrowings in the late '70s and 1980s when farm land prices were very high, isn't that right?

A. That is correct.

Q. The Tribunal letter went on to ask you to identify any indebtedness familiar to that to Mr. Haughey to the extent to which his indebtedness was, as the Tribunal said, both in the main unauthorised and even where authorised, was not based either on a capacity to repay or any stated investment project of which the bank had made any evaluation.

With respect to the written off amounts you were asked to reply indicating in respect of each, the total amount of money due by the borrower to the bank to include all suspense and other interest at the date of any such account, at the date any such account was closed or at the date upon which any such monies were written off.

You were also asked in respect of every such account mentioned above, whether the borrower continued to have a relationship with the bank or whether its relationship with the bank ceased and in respect of every account where amounts were written off, you were

asked to indicate whether any of the bank's securities was enforced or whether any of the borrowers realised any amounts due on sale of land or on a disposal of other assets; and you were otherwise asked to give details of any payments made by the borrowers in respect of or in connection with the write-off.

I think the next query repeats to some extent something you have mentioned earlier. Unless you want me to come back to it, I won't mention it.

In the years 1979 and 1980 there were a total there was a total of 1,865 applications for 3,743.5 million considered by the Board Advances Committee and the Central Advances Control Committee. And you have broken that down into Board consideration of 733 applications totalling 3,201 million and Central Advances Control Committee consideration of 1,132 applications totalling 542.5 million.

You say, of those, approximately 14% were personal cases.

You then go on to distinguish between the number of personal applications in 1979 and 1980 in respect of agricultural investments in farm land purchases or in capital projects in farms. And I am going to put it on the overhead projector so that it will make a little more sense to people listening to it. In relation to

farm land purchase, you say that there were 58 personal applications, is that right?

A. That's correct.

Q. Is that 58 personal applications from the agricultural sector?

A. 58 from individuals in farms in the agricultural sector yeah.

Q. What's the 23 for?

A. The 23 would be a combination of both farm and other activity that the farmer or whatever might have been involved in.

Q. I think you say elsewhere that at or around that time, the number of people involved in business where you didn't have a corporate entity, was highest in the farming sector and in the vintner sector, would that be right?

A. That would have been fairly dominant.

Q. Sometimes there was agricultural and other applications might have involved people just involved in those two activities?

A. Some of the people in agriculture might involve, say, in a business or a business-related agriculture, like agricultural machinery or contracting or might even have a small retail shop or whatever.

Q. In any case, farm land purchase amounted for 58 applications from farmers purely, 33 from people involved in farming and other activities. Capital

projects result in 24 applications purely from farmers, and 16 from people involved in farming and other activities. For working capital you had applications for 67 from 67 farmers and 28 from people involved in farming and other activities. You then totted these up as a total of 149 purely from the agricultural sector; 67 from the agricultural and other sectors.

And you have subtracted those two figures, 46.

A. No, 46 would be non-farm

Q. 46 from the others purely. Of course. And a total number of personal sanctions amounts to 262.

You say that with regard to the personal applications sanctioned by the Board Advances Committee and the Central Advances Control Committee in 1979 and 1980, it was found that 16 cases figured subsequently in a category of write-offs in excess of 60,000 approximately. Within this figure of 16 cases, there were three cases where the indebtedness exceeded 500,000. The bank would have sought to recover the amount borrowed in each of the above cases and it would have been the bank's policy to adopt a range of actions to effect discovery recovery. Such actions would have included the threat of legal action. You say that it would appear that in the other personal cases, the borrowings were repaid, renewed or smaller amounts written off.

So now what you have done is you have refined all of this research activity down to 16 cases where the write-offs were in excess of 60,000. In those 16, there were three cases where the indebtedness amounted to half a million and ultimately what you have come up with is the details of eight cases where you had substantial write-offs or a substantial indebtedness or a combination of both. Would that be a fair description of them?

A. Yes.

Q. Now, you make the point here that you say that these cases classified as personal would include cases where the account holder was conducting a business in his own name rather than through a corporation. And that's the point you made a moment ago; that people in the agricultural sector were effectively involved in business but doing it through their own names, not through a company.

A. That's right.

Q. Farmers and perhaps publicans would tend to be the category in Irish Life conducting their business in their personal names rather than through the medium of a corporate entity. Capital expenditure and working capital would have brought certain farming customers within the range of applications considered by the Board Advances Committee and the Central Advances Control Committee. Many other borrowings in personal

names for business purposes would have been below the threshold of cases considered by either of those two entities.

A. Correct.

Q. You say that personal applications considered by the Board Advances Committee and the Central Advances Control Committee were for a wide range of activities and embraced both capital expenditure and working capital finance. The applications considered could fall into categories as follows: Renewal of existing to additional facilities and additional to existing facilities; e.g., overdraft facilities increased from 50,000 to 100,000 or new facilities for specific projects.

Now, I think in terms of an overview of activity in this sector at that time, what you had was a lot of farmers seeking to buy land and being forced to buy it at very high prices. Isn't that one feature of activities that the bank was financing or the banks in general were financing?

A. I don't know about being forced to buy it, but that was the market at the time.

Q. If you wanted to buy land, you had to pay the price or you did without the land. And if you wanted land at that stage, you were paying premium prices for it?

A. You would have been, yes.

Q. Not just Allied Irish Banks but the banks in general

were financing these capital projects.

A. That's correct.

Q. Across the country. If a farmer wished to expand his activities on his existing land, well then, he could borrow money on the security of a much of an enhanced valuation of his increasing land in terms of the current market prices, isn't that right?

A. That's correct, mm-hmm.

Q. In the early eighties and as we went through the eighties, land prices dropped fairly markedly and, in fact, interest rates went up as they normally would do, fairly rapidly as well, isn't that right?

A. Correct.

Q. So you had a lot of farmers having paid a lot of money for land. The land was no longer worth probably what they paid for it. Their capacity to repay with increasing interest rates was being eroded and so you had potential for a lot trouble, isn't that right?

A. Correct.

Q. Now, I am going to go through a number of cases where you have summarised details and where you have given a brief history of how the cases were dealt with, how the indebtedness arose and how the bank responded to it or how the customers responded to it and what the upshot of the arrangements between the bank and the customers was.

Now, in dealing with each of these cases, I am going to refer to the, if you like, the date in which the indebtedness crystallised as year one of that client's dealings with the bank in relation to the real issue.

A. Okay.

Q. So as to again avoid the possibility that third parties might recognise a person or a neighbour's dealings with the bank at the relevant time.

The first case you want to deal with is a case where there was a debt of £464,639. Now, do you have a copy of that in front of you there?

A. I do.

Q. The reduction in that debt was £173,682. What you mean by that is that £173,682 was paid off that debt by the customer?

A. That is correct.

Q. Now, you have also mentioned that that excludes £324,021 lodged in the, I suppose the three years prior to that deduction, is that right?

A. That's correct.

Q. So that one of the figures that the Tribunal doesn't have but was trying to get in the last week when you may not have been available, is what the total indebtedness of that customer would have been when that £324,000 was being paid off or started to be paid off?

A. It was around 475,000 at the end of 1980 or around that time.

Q. But if 324,021 was lodged in the following three years, that would have brought do you see what I mean?

That would have brought the debt down to a sum lower than even the subsequent deduction. It's slightly confusing from my point of view.

A. There was activity. There would have been money lodged to the account from various sources which some of it was kind of trading sources. And there would have been money the interest would have been accumulating as well at the same time; and in fact, the customer reductions would have been almost entirely kind of set-off with the interest that would have been charged over a period. So even though it was $\frac{1}{2}$ 324,000 lodged in that period, a lot of that, probably even half of that, could have been interest over the period and hence the debt as you see did not reduce. We were then left with what we have there.

Q. I follow. So that in the first three years after year one then, although there were payments being made by the customer, and lodgements being made by the customer, not all of those lodgements were used to reduce the debt though they may have impacted on the interest but leaving the core debt there all the time?

A. That's correct.

Q. Between in the following three to four years I think, there were write-offs by the bank equal to sums that were lodged by the customer in reduction of the

debt, would that be right?

A. That was an agreement reached with the bank.

Q. So if the customer paid 50,000, the bank wrote off 50,000?

A. That's correct.

Q. And the actual write-offs and therefore also the payments made were $\frac{1}{2}$ 59,140 in 1984; $\frac{1}{2}$ 86,622 in 1986; $\frac{1}{2}$ 145,000-odd in 1987, isn't that right?

A. Sorry, the amounts received from the customer, the first two amounts were received from the customer. The third was the matching amount written off by the bank.

Q. I follow. So that you mean

A. In year six and year eight there was 59,086 approximately received from the customer, approximately, and that was matched in 198 whatever year nine, by 145.

Q. I follow. So in those two years then, the customer lodged, as you say, about 60,000 and about 85 or 86,000 and the bank wrote off roughly an equivalent amount, is that right?

A. That is correct, at that time, yes.

Q. Now, this customer had been with the bank for many years, 14 or 15 years?

A. Yes.

Q. And peaked limits up to about $\frac{1}{2}$ 180,000 were enjoyed up to the end of the seventies.

A. Correct.

Q. When total limits of £365,000 were sanctioned to cover working capital requirements and the regularisation of existing borrowings. You say that on examining the file, reductions were not made as promised and in early in year one, which is the year we are calling year one, it emerged that the customer had undisclosed borrowings from other lenders amounting to just one £400,000. In the following year, the debt was restructured and although no agreement was reached with the bank, the debtor commenced monthly reductions on the amount of the borrowings and then you say that between year one and year three there were lodgements to the account amounting to some 320-odd-thousand pounds.

A. Correct.

Q. Those lodgements ceased in year three. Interest was suspended at that point which meant that the bank no longer regarded the loan as a profit earning or performing loan?

A. That's correct.

Q. So interest was continuing to accrue but you didn't have any great faith you were going to recover it?

A. That was why we suspended it in year five.

Q. As between the bank and the customer, it continued to accrue. It was still a debt?

A. Oh absolutely.

Q. As a result of other compromised proposals, further

sums were paid in year four, year six and year seven and you have mentioned those, 60,000-odd and 85 or 86,000 and I think again there seems to be a mistake here in the memorandum, the total of those coming to in or about i;½145,000, is that right?

A. The third one there is actually the write-off.

Q. The write-off. The point I would want to draw your attention to is that there were lodgements during year one, year two, year three. There was an agreement and there were there was a compliance to some degree with that agreement, isn't that right, in that the client did make payments of 60,000, 86,000 and the bank in turn did agree to write-off?

A. Yes.

Q. You say that the monies introduced in year four resulted from the sale of land. There were to be further land sales in year four and also in year five. These did not materialise and a new compromise was entered into in year six. The amount that was introduced in that year apparently was also resulted from sales.

Now, there is another sum then mentioned at this point, a sum of in or about i;½28,000 which you say may have been part of the matching payments deal or may have come from some other source. Do you see that in your statement?

A. Yes, if you just refer to the year five or six there.

59,000 was received and then the end part there was the
i;½27,000, i;½28,000. That should give you the total
amount received from the customer, apart from those
other lodgements we were talking about earlier.

Q. Would you tell me what the total amount received from
the customer was?

A. The total would have been, if you add up 59, 86 and the
27, 28, that should come to 173, approximately.

Q. Which is, in your summary, the reduction that you
mentioned?

A. It is, apart from the other sum of 320 which I
mentioned earlier, which came out of our sources.

Q. There seems to have been no matching write-off by the
bank in relation to that, is that right?

A. Well, at that stage, the a lot of the agreement had
fallen down and the bank just wrote off then the
residual amount at the end of the day.

Q. Now, there was some further queries from the Tribunal
to the bank in relation to these customers, I am not
sure whether you were able to deal with them in the
last week or so. But from the information you have
given the Tribunal, it would appear that some of
the apart from the monies that were introduced in
year one, between year one and year four, the monies
that were introduced in year four and in year five seem
to have resulted from land sales, isn't that right?

But you are not sure?

A. The 59 and the 86 clearly from land sales. The 324 that we spoke about earlier, that would have been an accumulation of different things. Some of it would have been trading profit. Some it have would have been a life policy. Some it have would have been money owed for grant and things like that would have come in

Q. If you were looking at what the liabilities were worth in total in year one, from that time up to the time of the bank, if you like, treated the matter as having been cleared off, the clients had disposed of an asset in terms of an insurance policy, isn't that right?

A. There was a debt situation.

Q. They realised that asset. They realised some monies from land sales and you are not sure of the source of some of the monies but it may have been from the sale of either land or stock?

A. Yes.

Q. Now, the next case that you mention, case 2 I'll go through the history first involves a customer who is a farmer, who had an overdraft limit of 30,000 in year one. In that year he was advanced a sum of 200,000 to finance the purchase of additional land and he also had working capital facilities of over $\frac{1}{2}$ 70,000.

A. Yes.

Q. He was able to service this debt and make interest

payments until year three and over the following three years, the debt increased by 100,000 due to trading losses, monies used to meet substantial commercial financial commitments. You say that in year 2, a total of approximately 20,000 was lodged to the accounts and in year 3, a total of 16,000 was lodged.

By the end of year 3, the debt had increased to 400,000 and at that stage, that debt could not be serviced from the farm income. In the first six months of year 4, there were several meetings with the customer and his solicitor in an effort to reach a settlement.

Following little success bankruptcy proceedings were issued by the bank. Those proceedings prompted a settlement involving three payments of 30,000, a payment of 100,000 from the disposal of assets, leaving a residual debt of 60,000 to be repaid over ten years.

Do those figures tally up for you?

A. What we have got here is a proposal which didn't reach fruition. We received the three payments of 30, we did not receive the hundred thousand at that time.

Q. Was that compromise agreement or a similar one ever activated or reactivated?

A. It was not activated.

Q. So what was the situation at the end of the day where that case is concerned?

A. You will see where the bank wrote off 179,000. And in this particular case

Q. There is still a residual debt?

A. Well, today I don't believe I couldn't find any record of this individual having a relationship with us at the minute, but it seemed to just move on in terms of no great action. We didn't pursue the legal side of it and the debt drifted to the point where eventually we wrote off most of what we had to write-off. There may have been a residual debt which was written off over sometime. We don't

Q. That customer had a security which you valued at approximately 160,000?

A. That is correct.

Q. So that by the time the debtor got into serious difficulty, his security was substantially less or worth less than the amount he owed the bank, would that be right?

A. That is right, yes.

Q. The next case involves again a customer who had two sources of income, one of which was from farming. And the debt arose from a facility of £270,000 granted in year one which was primarily provided to finance the purchase of additional land. Is that right?

A. That's correct.

Q. This facility was a bridging facility which was to be cleared from the sale of other land. The bridging loan appears to have been continued during year one and year two, is that right?

A. Into year two, yes. We extended it, I think, in March of year two.

Q. Do you know whether that other land was ever sold to finance the

A. We believe it was. I can't find explicit confirmation that it was. We believe it was because we don't hold the security of that land and the debt that we see now would be kind of a residual debt at the time, you know, when we ended up with the write-off of 90,000 we speak of here.

Q. At the time that you had to consider dealing with this debt, can you give me an indication of what sort of sums you were talking about? What sum the debt stood at the time in, I suppose, 1979 or 1980 when it should have been cleared off from the sale of the other farm?

A. He would have discussed it at less than 300,000 owing to us. At that time 250 of that would have related to what we regard as a bridging of the sale of his land roughly. The expectation was that his land would sell to clear that debt. In the event it didn't, and that sale protracted but we don't know exactly when or how long it went on for, but there was an expectation that we would still get our debt cleared. We would have held the deeds of the of that as security, both the new and the existing and, as I said, in the expectation that we would have realised something sufficient to pay it. But at the time it was

eventually sought and it had other drawings on the account, there would have been insufficient money coming through from the sale to clear our debt. We would have then been left with a residual debt of 189 is what we have speak of there. And

Q. But I think after payments were made you were left with a much smaller residual debt?

A. After then we got 60,000 from further disposal of some land and from that, we would have been left with a final debt of which he has dealt with in subsequent year of $\frac{1}{2}$ 37,000. This is apart from a loan he had of 36. If you add up the residual debt of 37, what we wrote off of 90 and the 60,000, that would have come to 189; remembering that the 189 was, if you like, the start-up figure after he had sold his land and after he dealt with the bridging loan and that.

Q. So could I just try to put this in terms to make it simpler for my point of view as a non-banker. This customer was a farmer. He borrowed money to buy a farm of land. His plan was to sell another farm of land and clear his borrowing or part of it presumably from the sale. He ran into trouble, we'll put it in those simple terms for the moment. Ultimately, he had to sell the land that you were holding as security which was both his original land and the new land. Does that mean that he sold all the land or only part of his total land holdings?

A. He would have sold the initial land, first of all, to bring him to the situation where he would have dealt with or tried to deal with the bridging loan, but that, as I said, left a residual debt of

Q. 189 thousand.

A. Yeah. After which then he disposed of other property which he had, which we weren't aware of at the time, which produced 60,000 and we were left then and he still has the final farm that he bought at this point against a debt of $\frac{1}{2}$ 37,000.

Q. And he is still a customer?

A. This is individual most of these set out yes, we still have him as a customer. I think he is one of the few that's left.

Q. The next customer was case 4. And in your summary you talk of a debt of around nearly $\frac{1}{2}$ 600,000, $\frac{1}{2}$ 580,000-odd.

What was the year in which that debt crystallised, can you tell me?

A. It crystallised, meaning

Q. Well, you have summarised it as a case involving a debt of 583,000. I can go through the history if that helps you to relate it to the summary.

A. Perhaps.

Q. This was a customer of the bank from the early seventies. His peak borrowing was 100,000 overdraft.

The bank gave him a facility of up to 265,000 to purchase a commercial premises and carry out

renovations. In I think I will have to refer to the year in this case. In 1981 this limit was increased to 420,000 and this included a 220,000 five-year term loan to take out borrowings from another financial institution. In 1983 the bank authorised 400,000 on overdraft to replace all previous limits and this was conditional on the provision of a debenture.

So there must have been some corporate entity involved in it at some point?

A. That's correct.

Q. In 1983, the borrower sought a reduced facility of 260 subject to the bank waiving its insistence on a debenture. The bank deferred this decision as the customer was already 400,000 overdrawn. The bank was insistent that the customer should pledge the deeds of his farm and family home. And that he refused to do.

Between 1983 and 1984 it became apparent that the customer had substantial borrowings from other financial institutions. The bank's legal department prepared documentation to withdraw limits on the basis that the customer had not complied with the bank's security requirements and that the bank had been effectively misled. These were not forwarded as the customer indicated as he had arranged finance elsewhere and would be clearing his debt to Allied Irish Banks.

In fact, in April 1984 the refinancing had not materialised and Allied Irish Banks authorised a limit

of 300,000 with a security being strengthened by the provision of cross-guarantees from a number of companies. In 1984 the customer sold

MR. SHERIDAN: Sir, sorry to intervene, Sir, but there was an agreed basis on which these cases would be referred to. If Mr. Healy wants to adjourn for a short period so that we can agree exactly how the references should be handled, then I did offer that to him before we started.

CHAIRMAN: I don't think we have the time to do that. Even Mr. Healy, if it means you have to be a little more skeletal of your treatment.

MR. HEALY: I am trying to, Sir, but in this case it's difficult there are so many dates

CHAIRMAN: I really can't see that your clients' confidentiality is compromised, Mr. Sheridan.

MR. SHERIDAN: It simply goes to the question of the basis on which we agreed to deal with the matter. That's really the only thing.

CHAIRMAN: I am very reluctant to adjourn. We must make dispatch on this matter.

MR. HEALY: I think I was saying that the refinancing had not materialised. And the bank authorised a limit of 300,000 with a security being strengthened by the

provision of cross-guarantees from a number of companies. At that point, the customer sold a farm for in or about i£½350,000 and cleared debts to other financial institutions. I think the following year, attempts were made by relations of the customer to see could the indebtedness be resolved. The bank were insisting on full payment of the then capital debt of in or about i£½350,000. Legal action was threatened if the bank debt was not cleared. Later on in that year, the borrower made an offer of some 60,000 to the bank together with a transfer of certain property which had been secured to the support a letter of guarantee. This offer was rejected by the bank which insisted that significantly more cash should be made available. Later on in the year the bank served a summons seeking judgement in a sum in excess of i£½350,000. This prompted the making of various proposals and in the following year, the customer proposed to pay 270,000 in cash subject to the release of all securities and in excess of i£½200,000 cash with the bank retaining a portion of the property secured to support a guarantee. These proposals were declined and the customer was advised that the bank intended to institute bankruptcy proceedings.

In the following year the bank accepted sorry, I beg your pardon, in the a few months later the bank

accepted a cash payment of $\text{€}300,000$ funded by family funded by borrowings and some family contributions, with all security being released. By this time the companies associated with the borrower had ceased trading. The customer's family circumstances at that stage were poor. The value of the bank's security in the following year was estimated at in or about $\text{€}260,000$ and the bank's attitude was that the offer was the best that could be achieved and that the alternative of bankruptcy or an order for sale proceedings was unlikely to yield as much as the compromise offer.

I think what I want to ask you to confirm to me or disagree with me if you wish, here you had again substantial borrowing, ultimately resolved by a sale or a disposal of assets by the customer and an eventual settlement agreement reached with the bank at a time when the customer himself more or less had gone dry, when there was nothing to be got in that particular well, he doesn't appear to have had anything by way of substantial assets at that point, at the time of the ultimate settlement.

A. The key factor in this case was the fact that the customer did not disclose to the bank the fact that he had other significant external borrowings. And the sale on disposal of land in this particular case went entirely to pay those other institutions and not AIB.

Q. That did help Allied Irish Bank to some extent?

A. Well, we didn't get any money from the disposal.

Q. Well, the customer was no longer servicing two banks.

Whether the other bank had a bigger hold over him or not, the fact is you are now dealing with a customer which had less indebtedness?

A. But we believe the indebtedness he had at the time was what he had and hence that was the way we treated it.

In the event we still held security, as you will see there in the final year value 260,000 and what happened at that stage was the customer's family intervened.

They raised money. They lodged cash from their own resources and they raised money, I have to say, with Allied Irish Bank which was dealt with satisfactorily in the following years to produce the $\frac{1}{2}$ 300,000. We didn't see any kind of benefit at that time pursuing legal or bankruptcy proceedings against that particular customer.

Q. That was, in fact, in excess of the value of the security at that time?

A. It would have been, yes.

Q. So that you did fairly well?

A. We would have had

Q. You'd have got less if you had enforced your security?

A. We probably would not have done as well. We would have had guarantees from associated companies and

Q. Which were of little or no value?

A. It was emerging that their value was

Q. The point I am making is at the end of day you did better than if you had realised whatever or enforced your security?

A. At the end of the day, that's what it has turned out like.

Q. Even though you didn't get all the money you were initially owed but you did better than if you had used the only trump card you had?

A. If we had got it earlier when there were other assets in the company, we would have done better.

Q. That's true. Case 5 involved a substantial debt which is ultimately in or about 1.3 million. This was a case going back to this is a case where the bank's file goes back to what I call year one when close to $\frac{1}{2}$ 500,000 was made available to a farmer on what was then valuable security.

By year four, the entire banking relationship between the client and Allied Irish Banks changed due to changes in land values and so forth, presumably interest rates, and the borrower who had been a very satisfactory customer for many many years, had to enter into a number of different arrangements with the bank with a view to paying off what by that time had become very substantial borrowings, isn't that right?

A. That's correct.

Q. And when the bank was contemplating restructuring the borrowing in or around year four, the client, although he had an annual income of in or around $\frac{1}{2}$ 100,000, this would not have been sufficient to enable him to live and to pay off what were then becoming what was then becoming a very unyieldly debt, isn't that right?

A. Yes.

Q. The borrowing had stemmed from purchases in year one when in or around 300 acres of land were purchased in two different tranches by the borrower?

A. That's right.

Q. Attempts were made to restructure the borrowing and by year five, the bank had calculated that the client would require an income of 130,000 cash, that is after expenses and tax and so forth, to service these borrowings if he was to trade out of his difficulties, but it appears from the information you have provided, that there was little prospect of his being able to do this. Eventually, I think, that particular borrower had to dispose of substantial assets amounting to in or about 50% of his gross wealth in order to meet the bank's requirements.

A. That's right.

Q. In that case, there was, in fact, a substantial write-off of over 750,000, but in contributing to the settlement, the client had significantly, in relevant terms, impoverished himself, hadn't he?

A. He was left with the family home the farm, the home farm and he had a reasonable

Q. I am not saying that the client was left destitute or anything like that. But what I am saying is you had a situation where large debts were incurred, stemming mainly from the funding of the purchase of large amounts of land. Everything went wrong and the land in the market for land and ultimately the client was left with 50% of what he started off at the time the trouble with the bank began?

A. Correct.

Q. Case 6 is also a case of a customer who is a farmer.

He had a substantial farm, over 500 acres, and had a sizable overdraft, as you might expect with a farming operation that size, to cover working capital. He had been successful in his business and had accumulated substantial property holdings. He had had a number of facilities sanctioned up until what we call year one, and that had mainly been for capital for working capital, I beg your pardon, and these loans had been cleared in full. In year two, he sought, in addition to normal working capital, a loan of over 500,000 to purchase a further substantial, very substantial farm. It was intended that the borrower would sell in or about 100 acres which was expected at the then prices as we know, to realise about $\frac{1}{2}$ 500,000. The bank sanctioned over $\frac{1}{2}$ 1 million, I think, subject to the

sale of the existing farm and subject to the sale of sites for residential development and so forth.

Ultimately, the sale of the borrowers own property did not proceed and the land actually purchased was far less than was originally intended, in fact, in or about half of what was originally intended and the actual purchase price of the land eventually purchased was in or about $\text{€}300,000$.

It appears that low profits and high interest rates in the 1980s undermined the borrower's ability to service the level of borrowings he had incurred. In fact, he was asserting at one point that the bank, by declining new propositions from him, prevented him from continuing in farming. In year four he withdrew from active farming, sold his stock and put a substantial portion of his land on the market. It didn't sell.

In fact, I think he put all of his land on the market.

It didn't sell and was eventually split into a number of lots and substantial acreages were sold in this way.

It appears that from the sale of one substantial parcel of land, some in or about $\text{€}400,000$ was realised of which Allied Irish Banks obtained nearly 300,000 and another bank got about 100,000. A further small property owned by the customer of sold for in or about $\text{€}25,000$ and the proceeds of that were lodged with the bank.

The borrower then, I think, rented out some of his facilities but while that was producing an income, that income was required for his day-to-day living expenses. It appears that throughout the time he was dealing with the bank, he had the assistance of outside financial consultancy in the proposals he was putting to the bank. But eventually the bank threatened legal action and by year eight, I think, he informed the bank that he had resumed active farming. He eventually sold more land realising another 120,000-odd pounds which was lodged to the bank, leaving a residual debt of in or about $\frac{1}{2}$ 164,000 which was repaid which was to be paid over the following ten years.

Do I take it that that customer remained with the bank?

A. He is still with the bank, yeah.

Q. Again, I think this is not dissimilar to case 5 in that you had a substantial and presumably successful farmer acquiring more land, planning or envisaging that he would sell land to finance his land purchases. The sales didn't materialise and weren't as successful as was envisaged and ultimately he was left with a big debt and the only way of resolving that debt was to make further sales later on?

A. The other point I would add is that the land he acquired, he paid much more for per acre than the original intention, like he paid for 1028 acres he

paid 300 and so quite a big difference than that he was prepared to pay initially. But that's the gist of it, yes.

Q. And those were the times that were in it and the fact is the bank was, if you like, making those judgments itself as well. It was funding these purchases. I am not saying your bank all banks were funding these purchases at these prices at that time.

I want to go on to case 7. It involved a farming operation again. And a borrower who was also involved in a farm-related business. Again, they had been customers of the bank for many years. And up to in or about year one, the drawings were mainly for working capital, the peak limits being reached were in the order of £58,000. Facilities were provided to fund capital expenditures, I presume, in or around that time, year one or year two. They ran into difficulties due to poor yields, heavy capital expenditures, the recession and eventually incurred heavy losses. In year two, the debt was in the order of £250,000. The customers were given three months to make realistic proposals to the bank. In year three, there was a promised reduction of 40 to 50,000 which did not materialise. By year three, year four, the debt was in the order of 400,000 and the bank threatened bankruptcy proceedings and at that point various proposals were submitted. By the end of year

four it was agreed that the borrowers would dispose of assets, the disposal being expected to yield some $\text{£}230,000$ of which 170 was to be lodged to the bank. The assets, in fact, failed to sell. By year six, all of the customer's lands were sold with net proceeds of in or about $\text{£}200,000$ lodged to the bank. In addition, a further 30 or to $\text{£}30,000$ or so from funds connected with the customer's farm business and $\text{£}20,000$ from personal funds were lodged to the bank. The only assets left at that stage were the family homes of the borrowers, each of which was subject to mortgages. Further mortgages were then taken out by the customers which enabled them to lodge an additional, I think it was $\text{£}20,000$, in settlement. The customers were left with their family homes remortgaged in the way I have just described. I don't think they had any other assets and, therefore, no capacity to realise any other assets for the purpose of making further substantial lodgements to the bank. They were self-employed and I don't know if they have continued as customers to the bank as self-employed persons or not?

A. Sorry?

Q. Have they continued as customers of the bank?

A. They are not customers at the moment.

Q. In this case, you have again a debt of in or about a quarter of a million in year two, which increased by year four to in or about 300,000 as a result of

enforcement threats by the bank and ultimately, I think, some agreement with the client, the client disposed of all of their farming assets, would that be right?

A. That would be correct. It took sometime to achieve that though, you know.

Q. So at that stage, you had nothing left to go against except the family home?

A. That's correct.

Q. And in fact, that family home was remortgaged to realise I think it was this involved two related customers, these family homes were, in fact, remortgaged to realise a further $\frac{1}{2}$ 10,000 each?

A. Correct.

Q. So I would have thought that in that case the bank succeeded in going almost as far as they could go without putting someone on the side of the street?

A. That is correct, yeah. Well, the customers did cooperate right throughout. They wanted to get rid of their debt as well. We did write-off 270,000.

Q. There was hardly any point at that stage short of putting them on the streets. You either wrote off the 270 or you put them on the street.

A. That's correct.

Q. Case eight involved again a farmer, who had been a customer of the bank for many years. He had been granted facilities to cover working sorry, he had

been granted facilities to cover capital expenditures including the acquisition of land. He also had a large working capital requirement as his farming activities were extensive between his own land and between land which he owned outright and land which he had an interest in, he had access to in or about 1,000 acres, would that be right?

A. That would be correct.

Q. He also had liabilities to another financial institution which had a first charge over much of his property.

A. Correct.

Q. By what I'll call year one, he owed the bank $\frac{1}{2}$ 600,000 and he sought further facilities of 150,000 from the bank for working capital which were refused. The bank understands that he may have been granted these facilities by another institution. That was at the beginning of year one. By the end of year one, he approached the bank and another institution with a view to reaching a combined settlement. Between year two and year four, he sold in all, nearly 600 acres from which the bank received in or about $2\frac{1}{2}$ 70,000, presumably there were debts to other institutions as well which we needn't go into?

A. That's correct.

Q. The customer's financial position was fairly perilous at this stage. He had, as far as I can judge, a

fairly limited repayment capacity. Efforts were made to persuade him to dispose of further land to raise some cash support. However, he didn't wish to sell any further land on the basis of his view that he had reached an understanding with the bank in relation to his indebtedness. By early in year eight, it was agreed that in exchange for a realistic cash payment and the surrender of the proceeds of a life policy, the bank would forego the remaining indebtedness and release securities. Some $\pounds 25,000$ was raised through private sources and this, together with a life policy which brought in or about $\pounds 10,000$, was accepted by the bank.

In this case you had a huge debt, quite an enormous debt. A reduction of in or about a debt close to a million pounds. In fact, in excess of a million if you include interest.

A. Yes.

Q. A reduction of $\pounds 300,000$ from the sale of land that we have described and a substantial bank write-off of $\pounds 630,000$. This was in a situation where the customer had, as I said, a very substantial farm and an interest in another very substantial farm amounting to in or about a thousand acres and was ultimately, as far as I can see, left with in or about 400 acres at the end of the day.

A. Correct. The security we would have held in this particular case would have been primarily secondary charges.

Q. Absolutely. So that even though the customer was left with what in absolute terms, or what in relative terms was a significantly reduced acreage, in absolute terms he had disposed with quite a lot of land but even what he was left with mightn't have been of use to you because you were second in the cue.

A. That's right.

Q. Now, in all of the cases that we have discussed here, the bank were either more or less successful in recovering the amount that was due to it but in most of the cases, as far as I can see and correct me if I am wrong, the bank, short of putting somebody on the road, had gone as far as they could go in forcing either realisation of stock sales or land sales or other property sales to promote or to encourage the customers to pay up what they owed the bank?

A. I would say encouraged, yes.

Q. In some of these cases, in one which we discussed where you said the clients were anxious to pay off the bank and of course you are not going to stop somebody who is anxious to pay you off, the customer was nevertheless reduced to the point where his own family home had to be remortgaged and I presume it wasn't the first time it happened, to add something to the pot that was

ultimately going to make the bank keep the bank

happy?

A. Correct.

Q. And in another case where a customer sold virtually all

of his assets, the bank were left in a situation where

the sale of those as debts that's the case where the

customer's family came in as well, where the customer,

having sold all of the assets, the bank did better than

if they themselves had forced a sale of assets

A. Yes, on that particular on the specifics, yeah.

Q. Because the client having sold his assets and having

brought in family money was able to pay more money than

the security the bank held would have yielded?

A. That's correct.

Q. Now, another feature of all of these cases is that most

of them involved borrowings for either capital

projects, buying more land, or working capital relating

to land which now had quite a high value, isn't that

right?

A. Yes. But sometimes, not always formally, there would

have been excesses paid and there would have been

interest being met so the debts would have been

climbing without formality, if you like, in a number of

cases.

Q. I accept that, but it's the nature of the borrowing is

what I am trying to focus on. The bank loaned money

to somebody to buy land or to intensify his activities

on his own land. It was either to purchase land in most cases as far as I can see, or working capital on the existing farming operations.

A. Yes.

Q. Farming took a nosedive in the early 1980s, isn't that right?

A. Correct.

Q. And what I am suggesting to you is that the bank, at the end of the 70s and in the early 1980s, when these loans were being made was itself making a judgement about the agricultural sector?

A. Well, that's the business, yeah, we would have been making calls.

Q. I am not criticising the bank for it.

A. That's right.

Q. The customers were making a judgement as well and at the end of the day that judgement proved to have been misplaced because things went wrong on every side.

Interest rates went up, land values went down?

A. In the end that's what happened, mmm.

Q. In some of these cases, the bank took a fairly big hit and the client took a fairly big hit. In some of them the client seems to have taken a very big hit and the bank not such a big hit and in some of them the client seems to have done better than the bank. Would that be a fair summary?

A. You know, there are so many individual cases, that it's

very difficult to I won't use the word generalise,
but each case is actually treated by the lending
officers or whoever at the time is managing the
relationship and I suppose primarily the function would
be to maximise the recovery.

Q. You want to get as much as you can using what, if you
like, instruments you have at your disposal?

A. Yes.

Q. That usually means trying to get as much as you can
looking at the client's capacity to actually repay you
and looking at the security he has got and to what
extent, at the end of the day, can you fall back on
that security?

A. Correct.

Q. Obviously, if you force him to sell it, you may find
it you may find that you get less than if you
encourage him to sell it. If you can persuade him to
sell it, in other words, you may get more than if the
land is put up in an open market than in a forced sale.
But ultimately it's that security, when all else fails,
that's what you go for, isn't that right?

A. That's correct. But around that time I would say
banks tended not to force land. You don't get buyers.

Q. That's what I mean. If you can encourage the farmer
to sell it in fact, am I not right in thinking that
at that time arrangements were made with farmers even
in the case, arrangements were made with farmers

whereby they would be persuaded, I suppose, in consideration of good settlements, not to cause trouble where their lands had to be sold?

A. Well, I am not aware, there could very well be, I couldn't really comment on that, this issue about causing trouble, but generally would seek the cooperation of the client and he would work with us in finding solutions.

Q. But ultimately, can I put it this way, you were trying to get as much as you could get in whatever the circumstances of any individual case was?

A. That is correct.

Q. There was no morality in this, is what I am saying?

A. Oh, there would have been, yes.

Q. There would have been a morality in it?

A. Yeah.

Q. What morality can there be in one man being reduced to his house and another man getting away with selling only part of his assets?

A. If you look at each individual case and the individual circumstances of each case, and you make your call based on what is reasonable to get out of this customer and how easy or whatever, what route is the best route to get the money from the customer and to get your relationship sorted out and we have a combination in those situations where customers got into difficulty where we would have seen a long-term solution,

write-off some debt; some asset disposal and other cases where with the cooperation of the customer's family, he would have liquidated the debt and taken, you know, that route.

Q. Can you understand why the Tribunal or anybody else looks at these cases and comparing them, for instance, to Mr. Haughey's case and saying in Mr. Haughey's case the bank had substantial security and yet none of it was ever threatened, if I can put it that way. Can you understand that somebody might take the view that Mr. Haughey's case seems to have involved more indulgence on the part of the bank?

A. I don't know the details of Mr. Haughey

Q. Well, Mr. Haughey owed substantial amount of monies to the bank, over $\text{€}1$ million.

A. Yes, I am aware of that.

Q. He paid about $\text{€}750,000$. He didn't, as far as the evidence we have heard here goes, realise any assets at all. He had substantial assets, but made it clear, I think in fact, that they wouldn't be realised. The borrowing was not for any capital project of the kind that we have discussed here. In other words, it wasn't a case of the bank loaning money to somebody for a project which might not come off. The bank weren't loaning money on the basis that an investment would work out. There was no investment.

A. From I didn't work out the percentages but there was

a substantial cash sum received in respect of that particular situation and I would often if these customers came along with a similar deal, one would look at it very seriously in terms of kind of you see a lot of these cases that went from year one, two, three, it could be year seven, eight, nine, and one could rationalise why a bank might take cash as a way to resolve a difficult situation.

Q. In all of the cases that we mentioned here, the customer was forced or encouraged or whatever word you want to use, but ultimately the customers disposed of some assets and most of them were left with, in percentage terms, a marked depletion in their assets.

So whatever arrangement the bank made with them, when those arrangements were over, the bank had some money and the customer's assets were depleted. Can you understand why somebody might understand in Mr. Haughey's case the bank did have money but there had been no depletion as far as we can see in Mr. Haughey's assets, at least in the assets the bank were aware they had and which were security for the bank's borrowing?

A. When we are dealing with these customers, we wouldn't necessarily seek to deprive them of their assets per se. You'd be looking for cash to reduce your debt and in most of these cases it involved disposal of property and lands, but if some of these customers had

come to us and offered a cash settlement, refinance, for example, with another institution, we would have been and in other cases it's not quoted here where we have actually allowed a reduction or a write-off in that context.

Q. Do you draw any distinction between borrowing which is authorised and borrowing which is unauthorised? By that in this case I mean most of the borrowing here was authorised in the sense it was for a particular project?

A. In most of these borrowings?

Q. Yes.

A. In a lot of cases if you really get into them, the initial sanction and approval was authorised. But events like income might have been reduced because farm incomes were down, interest rates went through the roof. Customers weren't able to meet those obligations and accordingly debts would have gone up without, I won't without control, but certainly would have gone up without any kind of planned expenditure. Some of these cases, the customers would have drawn cheques on the account and the bank would have tolerated in a lot of those cases if they perceived their security to be strong, would have tolerated maybe the payment of some of those cheques in the expectation that over time they would get recovery.

Q. But in every one of the cases, wasn't the

ultimate wasn't the moving or the initial factor in the borrowing was a decision by the bank to fund a particular project whether it was a working capital project or it was a capital expenditure case. In Mr. Haughey's case, Mr. Haughey was simply writing cheques on the bank's account.

A. Correct.

Q. Just deciding every week to write cheques. Is there any distinction between to be drawn or does the bank draw any distinction between borrowing which arises in that way or borrowing which arises from the bank giving a judgement to give somebody money from a particular project?

A. Again, an awful lot depends on the individual circumstances. If the banker holds security and they are happy to pay cheques, they will pay them, if they believe that they are covered.

CHAIRMAN: I suppose there were surcharges if facilities are exceeded.

A. There are surcharges if the facilities are exceeded and they are not done on approval with the bank, there would be surcharge interest applying to the customer.

Q. MR. HEALY: And if the bank has a customer like that, who keeps writing cheques as it were and even exposing themselves to surcharges, but where the bank feels that it has enough security and therefore, it tolerates that

situation, would you not think I am right in thinking that in the ordinary way the bank would expect to get most of its money at the end of day if the security was enough or was valuable enough to realise what was due to the bank?

A. Correct, you'd expect that. But what I would also say, that writing cheques themselves raises the debt levels, but around this time again we are looking at interest rates which probably made the debt repayment overall kind of more onerous and whilst you would have expected to get repaid all of your debt at the end of the day, I think the view in Mr. Haughey's situation was that when the interest was suspended, a view would have been taken that perhaps the interest in this situation is probably not recoverable.

Q. Why would the bank take that the interest was not recoverable? Surely they normally take that view where they feel the customer has not generated enough income to repay this, we are never going to get this off him. His assets are worth less than what he owes us, so therefore this is a non-performing debt. Where you form the view that the assets are sufficient to repay you, no matter what the size of the debt is, why would you not insist on it?

A. Well, you don't just because there are assets doesn't mean you suspend interest. You will suspend interest if you believe that at the end of day you may

be doing a deal and in a lot of these cases we would have suspended interest early on in the process and you will see that there is a substantial in one particular case there we stopped charging interest, in fact, when it became apparent that the ability of the individual customer to meet his debt obligations clearly wasn't there.

Q. What case was that, can you tell me, Mr. Clifford?

A. Number 8 actually. There was we stopped charging interest on that one at a point in time and had we charged the interest, there would have been another $\frac{1}{2}$ 300,000 on the interest.

Q. That's why I am suggesting the debt, although I said it was a million, it was in the order of 1.3 million?

A. Prior to stopping charging the interest on that particular account, we would have what we called suspended interest where we would continue to charge interest to the customer account but not affect the profit and that particular figure would have been 270, $\frac{1}{2}$ 280,000 which would have been included in our write-off there of 630.

Q. I think as you told me when we were dealing with that case, you were left with no security at the end of the day in that case because you were second in the cue?

A. We were second in the cue, but there was a belief that the value of the land that was supported by the other institution and what we would have had, together with

the other land these the customer had access to, you know, there would have been comfort, if you like, to call it. In the totality there was the security and that this would have been at a time when security values would have been, you know, quite strong, you know.

Q. But you see, can you understand my difficulty? I can understand when you tell me that there was no point in charging interest in this case after a certain point because you had no security to look to, no realistic security to look to.

A. We reached that point, yes.

Q. Whereas

A. Prior to that we did continue to suspend interest on it.

Q. I understand that. The reason I ask you the question, is why, for instance, am I right to wonder why in Mr. Haughey's case you didn't look for all your interest bearing in mind that there was plenty of land there, on your valuation, to pay it?

A. I honestly don't know.

Q. You may not know, but I don't know.

A. I don't know all the circumstances. I mean, I know, you know, in dealings with customers it can be very difficult and with difficult customers it's even more difficult, and I believe in this situation, it was a difficult negotiating position. And as I said, kind

of, the particular circumstances just you just have to put yourself at the time and I wasn't familiar with the case at that particular time, so...

Q. I appreciate that, Mr. Clifford, and, I mean, we have been through this with other witnesses so I don't want to go through it in detail with you. I think at least you'd share my how shall I put it? You wouldn't say I am being unreasonable in asking these questions?

A. You are not unreasonable to ask the questions, but I would point again to the fact that if in negotiating a solution to a really troublesome situation, a significant amount of cash was on the table, against a background where we would have had a sizable amount of the proposed compromise in the suspense interest account, that would have been an influencing factor.

In a lot of the deals that we would have done with customers, apart from these ones now, below the line, you know, where the interest is suspended, it is often the negotiating figure and that was the culture or the organisations that that would have prevailed at that time you know, so.

Q. So

A. It wouldn't have been unusual. I would have done deals at a lesser level than these ones with customers working around the ability of the customer to meet a reasonable approach to it, whether he got it in from the sale of land or whether he got cash in from another

institution or whatever.

Q. I see. Even where you were fully satisfied with the security

A. You would take that view. If you can recall around this time, the banks were, I won't use the word swamped but we had an awful lot of these cases on our files. You were working systematically through these cases and you were looking for solutions in all of these cases. The least thing on your mind would be seeking solutions through the legal process because it can become very protracted and if somebody makes it easier to produce cash either as I said from refinancing or securing a debt from another institution, that would be one route towards getting your debt solved.

Q. Would that be the case across the whole range of Allied Irish Banks?

A. I am talking about

Q. Borrowing

A. I am talking about this period.

Q. strategies?

A. Where there was a lot of difficulty, particularly with the people involved in the farming community and

Q. That's where we come back to all the time, the farming community, but the bank made a bet with the farming community and it didn't pay off. The reason I am distinguishing Mr. Haughey's case, he didn't borrow

money to buy land. I understand why the bank in the case of the farming community says look, we are going to have to eat some we are going to have to take some of this hit ourselves. The customer is going to have to take the hit as well. But in the case of Mr. Haughey's case, the bank had never loaned money for any of the purposes for which it had been loaned in this case. That's why I am asking the question. And was it, therefore, because in his case, there were other difficulties? I am not going to argue

CHAIRMAN: I think he has made it clear it wasn't his case, Mr. Healy.

Mr. Sheridan?

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHERIDAN:

Q. MR. SHERIDAN: Just briefly, I didn't quite catch your reply or maybe you dealt with it already. But when Mr. Healy was asking as to whether these would all have been cases where loans were advanced either for specific purchase of farming land or for capital projects, I don't know whether you included among the other purposes that they might have been made for the rollover of existing facilities or restructuring of facilities.

If you look, if I can refer you to case 1, and the in year three, there is a reference there to the

restructuring of that debt.

A. Correct.

Q. And rolling over of facilities and the restructuring of debt, perhaps the taking out of loans in other financial institutions, that could also be another reason why these facilities would be advanced?

A. Often the process, when the customer gets into difficulty, does involve looking back and looking at the difficulty which could involve other financial institutions and you may decide to roll up debts or you may look at a different repayment schedule for that particular customer. In the early stages of recovering debt, you would try to work out a compromise, not a compromise, but work out a structure around the existing debt and see can you put it on a repayment schedule, maybe over four years or five years or ten years, whatever, in the customer's capacity to repay it. A number of these cases, early arrangements would have broken down and then would have gone into a new arrangement and a new kind of attempt to restructure it in a different base. A lot of cases it ultimately involved the disposal of land, the final

Q. The restructure of

A. It would probably be a step along the route to many of these cases.

Q. And the only other thing would be in relation to the question of adequacy of security, presumably the

greater the difference between the value the greater excess of the value of the securities you hold and the indebtedness at any one particular time, the more comfort the banker has in terms of the possibility that the case may ultimately work out?

A. Absolutely, yeah.

Q. Would it be fair to say in most of these cases where a sale was in question, matters had reached the stage where there really was no alternative, the value of the security was either less than the amount of indebtedness or close to the amount of indebtedness; however, the case might be considered more critical from the banker's point of view in terms of assuring themselves as to its ultimate position?

A. The value of the security definitely would be a factor that you would take into account in whether or not you push hard at the beginning with the expectation that ultimately you might get paid off your debt. In a number of these cases, the debt would have been growing whereas the security would not have been perceived to have been of lesser value and you think you would have better security. But when it came ultimately to clear the debt, land prices did collapse, so you would have let debt rise against what you believed to be the inflated value of security previously in some of these cases.

CHAIRMAN: Very good, Mr. Clifford. I am very grateful for the considerable amount of work you have done with Mr. Sheridan in liaison with the Tribunal in making these comparatives available and I am also appreciative of the bank's understandable sensitivity on customer confidentiality. Thank you for your assistance.

That's today's list, Mr. Healy, is it?

MR. HEALY: Yes.

CHAIRMAN: Very good. 10.30 tomorrow.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,
TUESDAY, 5TH DECEMBER 2000 AT 10.30AM.