

THE HEARING RESUMED ON THE 16TH OF FEBRUARY, 1999, AS

FOLLOWS:

CHAIRMAN: Good morning. Mr. Coughlan?

MR. COUGHLAN: May it please you sir. The Tribunal intends to move into Allied Irish Banks today.

CHAIRMAN: Yes.

MR. COUGHLAN: The Tribunal will, in due course, return to matters that were being inquired into last week.

Before I commence sir, there is a correction in the transcript for Friday the 31st of October; I beg your pardon, for Friday the 12th of February. And it is question 143. It is on page 28, line 2, it is in the evidence of Mr. Padraig Collery, where I commence on line 1, "and if you look at the €100,000 and connected the €108,000", the "the" should be before the word "connected" rather than after it, sir.

CHAIRMAN: I see.

MR. SHERIDAN: May it please you, sir. I appear on behalf of Allied Irish Banks, and apply for representation, limited to the interests of my client.

CHAIRMAN: Very good, Mr. Sheridan. I accede to that application on the basis that, as I have indicated on many previous applications.

MR. COUGHLAN: In the first instance sir, it is my intention to open the documents which have been served on the interested parties in this aspect of the inquiry.

There will be a witness to formally prove the documents in due course, and then there will be a number of witnesses from Allied Irish Banks.

So, the first document I wish to open is number 2, page 201. And it is the history of CJ Haughey's account, September 1971.

"When personal account DR €244,000 and Rath Stud account DR €11,000, and we also held as security deeds 154 acres at Ashbourne, and Tara and Whim Greek Shares v €23,000.

Haughey stated that he would sell for reduction of the accounts.

Against cattle: €20,000,

stock exchange securities: €23,000,

interest in Simmonstown Stud: €48,000,

other odds and ends: €10,000.

Total: €101,000.

And would pursue sell by private treaty of 154 acres at Ashbourne.

December 1971 - When personal account DR €225,000, we were told Haughey negotiating sale to Roadstone of 40 to 50 acres of Abbeville, and privately trying to sell 154 acres at Ashbourne for a net €100,000. Board again expressed

extreme dissatisfaction.

March, 1972

MR. SHERIDAN: Sorry sir, did Mr. Coughlan say "page"?

MR. COUGHLAN: Sorry it is our numbering. It is divider 9 of the books served. These are documents in Mr. Haughey's files at Allied Irish Banks.

CHAIRMAN: Yes.

MR. COUGHLAN: It's you have it? Yes.

"March 1972 - When personal account DR €247,000. Advances Committee fixed outside limit of €250,000 on the account. Strictly subject to reduction by €125,000 within three months, and clearance within six months.

In June of 1972 - Personal debt reduced to €153,000 on lodgement of €100,000 borrowed from Northern Bank Finance Corporation against Ashbourne lands. The deeds of these lands were released by us. In the meantime Haughey had - sorry sir, that's obliterated in my copy at the moment - had said his S/E and his interest in the Simmonstown Stud.

November 1972 - Personal account debt has increased to €183,000 and Mr. Haughey gave his firm undertaking to clear in full by end of February 1973, from:

(A) sale from Ashbourne lands for which he had an offer of €200,000, approach also made also from Readymix.

(B) sale of 30 acres of Abbeville lands for which he had an offer of œ100,000 from Cement Roadstone.

April 1973 - When personal account DR œ221,747 and Rath Stud account DR œ9,540, and security included LG œ200,000 of Abbeville Limited supported by debenture and general charge on 270 acres. Board fixed limit œ230,000 on personal account and œ10,000 on stud account. Subject to clearance. Early date sell 30 acres to Roadstone for œ200,000, et cetera.

December 1973 - When personal account DR œ286,097 and stud account DR œ9,039, and sale 17 and a half acres to Roadstone for œ140,000 to be paid by installments, and borrowing arranged from Northern Bank Finance of œ150,000. Board agreed to allow œ140,000 out stand on special account, subject to reduction by installments and clearance by end of December 1974. But refused to sanction application for limits totalling œ30,000 on personal and stud accounts debenture released.

February 1974 - When personal and stud accounts net debit œ107,000 but with interest of œ15,000 accrued due, and special account debit œ105,000, Board reluctantly and with grave doubts agreed to sanction overdrawing limit of œ20,000 on personal account and œ20,000 on stud account.

By June 1974 the personal and stud accounts were œ41,000 in excess of limits.

August 1974 - When personal account debit œ37,723 and stud account debit œ59,410, giving a net debit of œ97,133 and special account debit œ72,673, Haughey promised immediate reduction to œ60,000, proceeds deposit œ30,000, which it transpired he had in Zurich, and proceeds insurance claim œ10,000, and permanent reduction within œ40,000 by end of September, sale of blood stock".

That was the history in the banks files as of August of 1974.

I now intend moving to the document at the beginning of Divider 9, which in our numbering is number 11. It is from Allied Irish Banks Limited and it is addressed:

"Private and confidential to JJ McAuliffe, Regional General Manager, Allied Irish Banks Limited, Northern Leinster Region".

It is dated the 31st of January, of 1974. The reference is given and "Charles J. Haughey overdraft - œ10,480. Special account debit - œ105,000. No. 3 account credit - œ77.

Charles J. Haughey trading at Rath Stud farm overdraft œ19,480. We refer to your letter of the 5th of December last in this case.

We created a debt of œ140,000 on a special account and those monies were applied in reduction of the overdraft on the 11th instant. On the same day we received from Messrs.

JS O'Connor & Company, solicitors, a cheque for €35,000 representing part proceeds of the sale of 17 and a half acres to Cement Roadstone. We did not deem it necessary to inquire from the solicitors as to the reason for the change in payment from that outlined in the contract for sale. The proceeds of that cheque were lodged in permanent reduction of the special account balance.

On the 29th instant, we received from the solicitors a cheque for €159,689.25 in favour of Mr. Haughey. That cheque represented the net proceeds of a loan €160,000 which our client received from the Northern Bank Finance Corporation. We are not aware why the loan was €10,000 in excess of that original negotiated with the corporation.

Following these transactions the accounts stand as quoted above.

We hold an undertaking from Messrs. O'Connor to lodge a further sum of €31,000 within the next month to clear the present liabilities. We were not informed as to the source of those monies, but we would mention that today we had a telephone call from Mr. O'Connor, solicitor, stating that he understood that the amount had been lodged on yesterday, but we have been unable to track down any such lodgement. We should keep you advised of developments.

The release of the debenture was, as arranged, handed to Mr. O'Connor in exchange for the cheque mentioned in the

third paragraph". And it is signed by the assistant manager.

The next document is from Allied Irish Banks dated the 11th of February, of 1974, private and confidential, and it is to Mr. T Fitzgerald, the Manager, Allied Irish Banks Limited, 7-12 Dame Street, Dublin 2. It is headed "CJ Haughey, personal account credit - œ19,000. No. 3 account credit - one hundred pounds. Rath Stud account debit - œ20,800. Special account debit - œ105,000.

Security held:

(1) Life policy - œ1,000 1951/90 with profits

(2) Letter of pledge over 5,765 shares one pound each.

Printo Pres Limited.

(3) Letter of guarantee H J Boland œ500 supported by life policy œ1,000, 1951/90 with profits.

(4) For special account. Undertaking from JS O'Connor & Company, solicitors, to lodge with bank proceeds sale of 17 and a half acres and meanwhile to hold the relevant deeds in trust for the bank.

Application for overdrawing facility. œ20,000 in personal account and œ20,000 on Rath Stud account. Additional to the debt on special account.

Following our discussion here on the 6th instant the above

application was placed before the Board.

While the Directors were pleased to know the position which had now been achieved in this case, they were constrained to advert once more to the difficulties, strain and embarrassment which had been suffered by the bank due to Mr. Haughey's proclivity towards making arbitrary unauthorised drawings on his accounts.

Against this background and in view of the regulations which they had felt it necessary to make in December last. Stipulations which they felt it most make in December last, they entertained grave doubts as to whether the best interests of all would, in fact, be served by sanctioning fresh facilities on these accounts. There were very strongly of the opinion that it would be best that Mr. Haughey should take the necessary steps to see that the working accounts be operated strictly in funds.

However, on thoughtful and sympathetic consideration of the matter as put to you by Mr. Haughey, and on the strict and precise condition that the accounts be operated within the limits hereunder defined, and that interest will be met as it falls due, the Board eventually agreed to sanction the accommodation as follows additional to the debt on the special account.

On personal account. Overdrawing limit of œ20,000 as an extreme outside facility.

On Rath Stud account. Overdrawing limit of €20,000 as an extreme outside facility.

Repayment: At pleasure of the Board, subject to review in 12 months time. The accounts meanwhile to conform strictly to overdraft requirements.

Security: As held and stipulated for in addition.

(1) Letter of hypothecation to bank over deposits €70,000 with bank.

(2) Mortgage protection policy €40,000.

A clear and unequivocal understanding must now be come to with your client that the above terms and conditions will be strictly adhered to and that he will so arrange his affairs that his accounts will never again occasion situations of confrontation or difficulty. Your further advice will be awaited". Regional General Manager.

The next document is a copy letter dated the 27th of June, 1974, to Mr. Fitzgerald the Manager of Dame Street, Allied Irish Bank, Dame Street. And it is from the Regional General Manager.

"CJ Haughey, personal account debit - €28,825.

No. 3 account credit - €1,273.

Net debit - €27,552.

Limit - €20,000.

Excess - €7,552.

Rath Stud account debit - €43,934.

Limit - €20,000.

Excess - €23,934.

Special account debit - €107,673.

We have received your letter of the 26th instant, and quite frankly, we are appalled that, notwithstanding the clear and unequivocal understanding that these accounts would be operated strictly within the limits sanctioned by the Board, your client should commence once again to draw excessively on his accounts. While it is observed that in every particular circumstances you gave him permission to draw €20,000 addition on the Rath Stud account as a very temporary facility, he has gone much further and the accounts now stand overdrawn €31,486 in excess of the limits.

Your client's attitude cannot be tolerated and we have no doubt that the Board will take a most severe view of the situation. However, before submitting the matter to the Directors we require to be fully assured that the indebtedness has now reached its absolute peak, and to be advised explicitly as to when the accounts will be brought back within their limits. We also require to know when the additional security arranged for is to be provided.

We consider that you should now have a very firm talk with Mr. Haughey, and when writing to us on the above points we trust you will be in a position to let us have his categorical assurance that his account will be operated in

a strictly orthodox fashion hence forth".

The next document is a letter dated the 22nd of July, of 1974, addressed to Mr. Fitzgerald, the Manager, Allied Irish Banks, Dame Street, Dublin 2. And it is from Abbeville, Kinsealy, and it is signed by Mr. Haughey.

"Dear Tom, I refer to our recent talk when you conveyed to me the views of the Regional General Manager and his anxiety that the limits be adhered to strictly.

These temporary excesses have arisen from a combination of circumstances outside my control. And it is my intention that they be eliminated by the 30th of September at the very latest.

Among other sources available for these reductions are a large insurance claim, the payment of which is awaited and the sale of my yearlings which this year represented a very valuable consignment indeed.

In the interim I will, if necessary, make additional securities along the lines we discussed available if this is considered necessary.

I shall call to see you as soon as possible. Please explain to the Regional General Manager that I am just at present particularly preoccupied with Dail business and relevant matters, but I will be much freer to attend these matters after this week. Yours sincerely Charles J.

Haughey".

The next document is a memorandum of interview dated the 30th of the 7th, 74, with CJ Haughey at the Dame Street office. Present for the bank Mr. JJ McAuliffe, Regional General Manager, Mr. T Fitzgerald, Branch Manager.

It sets out the position in relation to the accounts at the beginning of the memorandum.

"Mr. McAuliffe pointed out that the Board's agreement to grant limits of €20,000 on his personal and stud accounts had been afforded with extreme reluctance and considerable misgivings in view of the particular history of the accounts, and that this agreement had been forthcoming only on a clear and unequivocal understanding that the accounts would be operated strictly within the authorised figures, and that a mortgage protection policy, €40,000, would be provided as additional security.

These conditions had been ignored by Mr. Haughey and he should not be surprised if the bank were to indicate that it could not continue to do business with him unless the situation were immediately rectified and steps taken to see to strict compliance with the bank's conditions, which he had fully accepted last February, in the future.

Mr. McAuliffe was convinced that the Board would take the gravest and most serious view of the situation.

Mr. McAuliffe went on to say that he could understand the extraordinary circumstances in which Mr. Haughey had been forced to seek a very temporary excess of €20,000 to replace brood mare to be quickly funded from proceeds of relative insurance claims, but he was seriously disturbed to find that the other drawings had pushed up the excess to €46,585. An indebtedness on these accounts beyond the total figure of 40,000 could not and would not be tolerated, and he called for immediate regularisation of the situation.

Mr. Haughey acknowledged he had overstepped the bounds and while "he had never let down the bank" and in effect found any restraint on his accounts unnecessary and galling, he would clear the excess overdrafts from insurance claim money and sale in September of young blood stock value €100,000, and portion of cattle herd value €40,000.

Mr. McAuliffe said the bank would not wait and wanted immediate steps to be taken, and having ascertained that while surplus monies €70,000 had now been exhausted, payment of interest, purchase in Inishvickillaun island, living expenses, et cetera, Mr. Haughey had a sum of €30,000 in Deutschmarks deposited with a bank in Switzerland; sale showjumper reported in press to have fetched €40,000, he demanded that this money be repatriated and lodged in immediate reduction of the bank's debts, leaving the balance of the excess indebtedness to be

cleared from proceeds of the insurance claim, collection of which should be executed with the minimum of further delay.

Mr. Haughey said he would give serious consideration to this, and having discussed the matter with his wife would telephone Mr. Fitzgerald on Thursday.

Turning to the security aspect of the accounts, Mr. Haughey said he would be unable to trace an insurance policy which he thought he had and which met the collateral arrangements. He wasn't anxious to take out a further policy at this time and asked the bank to accept instead deeds of house in Sligo, purchased for some €10,000; deeds of Inishvickillaun island 250 acres, which he held at €25,000, cost €20,000.

In the course of the interview Mr. Haughey said "I have no income". And this might be taken as support for the view held by the bank that his living expenses are huge and totally unrelated to his Dail salary and to income from farming and blood stock breeding. It also emerged that he has a building site in Wexford and other pieces of property elsewhere in family and trust names and that he intends to build an elaborate house in Inishvickillane".

The next document I have already opened so we will move to the next document.

It is a memorandum from Allied Irish Banks 7-12 Dame Street, Dublin 2. To Mr. JJ McAuliffe, Regional General Manager, North Leinster Region, Allied Irish Banks, Dublin 4. Private and confidential. The text: CJ Haughey and it sets out the state of the accounts.

It reads; "Further to our recent interview with Mr. Haughey and to your memorandum received with your letter of the 1st instant, I have been in contact a number of times with Mr. Haughey who informed me that they did not wish to convert the deposit of Deutschemarks referred to from Guinness and Mahon. He suggested that the bank would accept whatsoever form

CHAIRMAN: Sorry Mr. Coughlan, I know it is difficult - I think it was "referred to in the enclosed copy of a letter received on this evening from Guinness and Mahon".

MR. COUGHLAN: I beg your pardon, yes. "Referred to in the enclosed copy of a letter received this evening from Guinness and Mahon. He suggested that the bank would accept whatsoever form of lien would be necessary over these funds and that he and his wife are prepared to complete any documentation. When cheques presented today are posted, the balance of the accounts would show as set out above. At the time of writing I am awaiting a return call from Mr. Haughey, and in the circumstances I will be telling him that the bank will expect him immediately to convert the Deutschemarks into Sterling for lodgement to

his accounts which would appear to be deteriorating daily.

I feel the time has come when Mr. Haughey's attitude towards us would have to be seriously considered and my present recommendation now would be that he would be asked immediately to regularise his accounts with the introduction of funds from any source available to him.

Alternatively, that we would have no option but to withdraw facilities and ask him to take his account elsewhere."

There is a handwritten note on the top left-hand corner and insofar as I can make out "reported to the Board 6th, 8th, 74, insist on immediate regularisation, in the meantime freeze account if necessary, and open fresh account, fresh working accounts to be kept strictly in funds".

I think that is a reference to the Local Board rather than the main Board. It is stamped "Dublin Local Board".

There is also a handwritten note on the right-hand side of the document which seems to be raising the question in the bank's mind about exchange control.

The next document is a letter from Guinness and Mahon Limited, dated the 2nd of August, of 1974, and it is addressed to Mr. Fitzgerald, the Manager of Allied Irish Banks in Dame Street and it reads:

"Dear Mr. Fitzgerald, I hereby confirm that we have been authorised by Mr. Charles J. Haughey to confirm to you that

Guinness Mahon, Zurich AG, at present maintain on deposit in the name of Mrs. Maureen Haughey, the sum of Deutschemarks 190.924.85. Yours sincerely MJ Pender, Banking Director".

The next document is a letter from the Regional General Manager dated the 9th - of Allied Irish Banks - dated the 9th of August, of 1974, it is addressed to PA Walsh Esquire, Deputy Manager, Dame Street, Dublin 2. Private and confidential, CJ Haughey.

"We enclose copy memorandum of the discussion we had yesterday, the contents of which we have conveyed to the Board.

The Directors' serious concern at the situation was sharpened by the disclosure that since the case was last before them on the 6th instant, the debts on your client's working accounts had increased by no less than œ5,138. However, there was they were somewhat reassured to learn that Mr. Haughey had now undertaken to transfer in reduction of the debts the proceeds of a Deutschemarks deposit in Zurich amounting to some œ30,000, and to collect and similarly lodge the proceeds of an insurance claim of œ10,000 as a result of which the total of these debts would be reduced within œ60,000 within a fortnight at most. And that he has further undertaken to maintain his balances within this total debt figure pending reduction permanently

within €40,000 by the end of next month.

The Board further noted that steps are being taken to provide as additional security for Mr. Haughey's accounts; deeds for Inishvickillaun island valued 20 - €25,000; deeds of house in Sligo, value €10,000. And they assumed that these would quickly be made available in order.

The recent lessening affected in the special account debt was also noted.

In all the circumstances and in response to the representations made to them, the Board while grievously disappointed at the irregular fashion in which the accounts have been operated, and disappointed that immediate reduction within the authorised figures was not being affected, agreed to let matters run on at their pleasure to see implementation of the undertakings referred to above. The position to be reviewed afresh at the end of September".

The next document is the document dated the 25th of my date is somewhat obliterated sir. It looks as if it is the 23rd of October, 74.

And it is a report from the Leinster Region which went to the Board. The Local Board. And it's headed "CJ Haughey". It sets out the state of the accounts and the securities held. So, it also attaches the history of the premises which was read out earlier by me as the first

document. This document reads:

"On the 8th of August, of 1974, when personal stud debts stood at œ97,133, special account œ72,673, the Board expressed serious concern but understood that personal and stud debts would be reduced to œ60,000, insurance claim œ10,000, and Zurich deposit œ30,000 within two weeks and be therein be strictly maintained pending, permanent reduction within œ40,000 by end of September. Sale of blood stock œ100,000. Far from reducing Haughey ran up the personal and stud debts to œ126,000 subsequently reduced by œ33,000 sale of blood stock.

21st of October, of 1974 Regional General Manager interviewed Haughey and told him bank could no longer tolerate the situation, that the Zurich monies must be repatriated forthwith and other necessary steps taken to get debt back within œ40,000 immediately.

He confessed that difficulties had arisen re insurance claim, that his blood stock sales had not come up to expectations, that he owed œ20,000 interest to Northern Bank Finance, and that he had now decided to sell Rath Stud Farm, 154 acres, for which he already had an offer and expected to sell for œ200,000.

He reluctantly agreed to repatriate the Zurich money following which he would keep the personal and stud debts within œ65,000. Pending reduction within œ40,000 from sale

of Rath Stud.

He said he had blood stock value over €100,000 and cattle value €50,000; however since then and following lodgement of Zurich money the debt mentioned, the debts mentioned have risen to €67,970.

Regional General Manager's recommendation: Haughey has abused our confidence and trust and we can no longer entertain hope that his accounts will be operated in a regular fashion. Accordingly, it is recommended that he be informed that the debts will not be allowed exceed present figures and that we want clearance of the entire by the end of February 1975. Arrange for security to be completed forthwith", and that is stamped "Allied Irish Banks, Dublin Local Board".

Sorry, My Friends have to assist me in the reading referred to - there is a handwritten note: "Referred to Advance Committee with suggestion that line should be drawn now".

The next document in the book of documents is in fact a copy of the first document I opened, so I move, I move now to a letter dated the 14th of November, a memorandum dated the 14th of November, 1974, from WN McDonnell, Assistant Advance Controller, Allied Irish Banks, Oldbrook House, Pembroke Road, Dublin 4.

It is addressed to Mr. JJ McAuliffe, Regional General Manager, Allied Irish Banks, North Leinster Region, Oldbrook House.

"Confidential CJ Haughey. DR €75,912 at 12th instant, limit €40,000, excess €35,912. Special account DR 80,141.

Your report dated the 25th ultimo was submitted to the Advances Committee yesterday.

The Directors were extremely concerned at the manner in which the drawings continue at pace, despite repeated arrangements for observance of limits.

The view is expressed that the bank security may not be adequate and in this connection you will no doubt continue to exert pressure for receipt of security items six and seven which we understand cannot be found.

The Directors discussed various measures which might be taken, but decided that dishonour of cheques was out of the question.

Eventually it was decided that you should interview the customer along the lines that the debt must be brought within the limit of €40,000 and that it might become necessary to take away his cheque book. The view was expressed that following the interview the bank's requirement should be advised to Mr. Haughey in writing.

Please consult with Mr. Griffin before arranging the

interview with the customer" and it is signed Mr.

O'Donnell, Assistant Advance Controller.

Now, the next document is a letter from the Deputy Manager, it is dated the 6th of January, of 1975. It is addressed to Mr. McAuliffe, the Regional General Manager, North Leinster Region, Allied Irish Banks; it is dated the 6th of January of 1975. Private and confidential, CJ Haughey.

"As arranged, I enclose a copy of memorandum of our interview this morning". And it is signed the Deputy Manager. And I then go on to the memorandum dated the 6th of January of 1975. Which is the next document.

It is a memorandum of interview at Dame Street with Mr. CJ Haughey on Monday the 6th of January of 1975. Present for bank Mr. JJ McAuliffe, Regional General Manager, Mr. PA Walsh, Deputy Manager.

The accounts are set out at the beginning of the memorandum.

"Prior to interview it was learned from Mr. P O'Connor of JS O'Connor and Company, that the funds due from Roadstone which would clear the special account should reach us today.

Mr. McAuliffe expressed to Mr. Haughey the bank's concern at the manner in which the overdraft had increased by œ30,000 since last October and advised him that

consideration would have to be given to withdrawing his cheque book. Mr. Haughey repeated that he had officers for Rath Stud and the bidder at €200,000 was unable to pay. He felt that the market might improve by the spring and that the bank should allow him accommodation of €100,000, which point he has almost already reached.

Queried regarding the insurance claim of €10,000 he admitted that he was having difficulties in reaching a settlement but that he expected to get €10,000 eventually.

In the meantime however, he had to pay €5,000 in premiums to Frank Glennon Limited Insurance Brokers and had expected to pay this today.

Client agreed as follows:

(1) To maintain accounts within figure of €100,000. With balance over €40,000 to be placed in separate accounts to be cleared within six months from sale of Rath Stud and from sale of shop property at Artane valued at €10,000, and in respect of which planning permission is being applied for.

(2) To supply us with the €40,000 mortgage protection policy.

(3) To bring us the deeds of the Sligo property which he would provide as security.

(4) To have his solicitor send us an undertaking to hold the deeds of the Artane property in trust for bank and lodge proceeds of sale in due course.

(5) To calculate the total of cheques outstanding on his accounts and to return to us at Dame Street at 11:30 a.m. on Monday the 13th of January with an estimate of his future expenditure and his proposals for funding the current accounts so that they may be operated within the overall limits of €40,000.

Mr. Haughey estimated his present borrowings from Northern Bank Finance Corporation to be €220,000 and that having paid €10,000 in interest the balance of €6,000 in interest had been rolled over.

Client estimated his stock of blood stock and cattle to be valued at €100,000 of which the cattle were worth €20,000.

Mr. Haughey admitted that he had been casual in his dealings with the bank but said that in future he would operate his account, his accounts, within the arrangements now being entered upon".

The next document is a letter from Mr. Haughey, it is dated the 25th of March of 1975 and it is addressed to LJ Sweeney; he is Area Central Advance Controller, Allied Irish Banks Limited, Oldbrook House, Pembroke Road, Dublin

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"Dear Mr. Sweeney, as promised at the recent meeting in your office attended by Desmond Traynor and myself, I would like to put forward the following proposals to be considered by the Board.

(1) My existing accounts would be frozen at the balance present outstanding plus interest accrued as at the 31st of March, of 1975, and outstanding cheques to the extent indicated.

(2) A new facility would be granted for the operation of the Rath Stud Farm at a rate of approximately €2,000 per month until the 30th of September, of 1975. This facility will be by way of a new loan account in the name of the Rath Stud Farm and current account also in the name of the Rath Stud Farm would be opened with €12,000 placed to the credit thereof.

Both accounts would be offset for interest purposes. The current account will at all times remain in credit and the only items to be debited there to will be direct outlay on the Rath Stud Farm, all of which will be paid through Haughey Boland & Company. This loan account will be liquidated by the sale of this year's group of blood stock yearlings which are estimated to realise approximately €30,000 in the September sales.

(3) My personal and household expenses will be provided out of my permanent income and will not involve any recourse to the facilities of the bank.

I am asking that these procedures be permitted by the bank until the 30th of September next to enable me to have the opportunity, in conjunction with my advisors, of realising assets with a view of reducing the overall level of

borrowing.

As I indicated to you during the course of our discussion as soon as I hear from you regarding the above I shall immediately set about the examination of my affairs for this purpose and I will keep you fully informed of developments.

I confirm having indicated that I am happy to let you have whatever security may be required, including a second charge of all the properties at present mortgaged to the Northern Bank Finance Corporation.

I am at present arranging to have these latter properties transferred into my name and my wife's name in order to avail of the maximum possible allowance under the new wealth tax provisions.

The Northern Bank Finance Corporation has agreed to this transfer and as soon as it is completed there will be no delay in letting you have a second mortgage. I am very grateful to you for your kind attention to my affairs and I shall look forward to hearing from you as soon as possible.

Yours sincerely Charles J. Haughey. "

The next document to be referred to is a copy letter from the Central Advance Controller, dated the 8th of April of 1975, marked "private and confidential" and addressed to Mr. Charles J. Haughey Esquire TD, Abbeville, Kinsealy,

County Dublin.

"Dear Mr. Haughey, with reference to your letter of the 25th ultimo, I wish to confirm that as conveyed to you during our meeting here on Friday last, your proposals were duly submitted to the Board and while they continued to entertain the most serious concern regarding your financial situation the Directors agreed in all the circumstances to sanction the additional €12,000 sought on the Rath Stud account and to give you a further six months to arrange disposal of sufficient assets to fund your entire borrowings from this bank.

Their agreement is strictly subject to the following conditions:

(A) That on withdrawal from the Rath Stud account of the additional advanced €12,000 now sanctioned and on payment of cheques outstanding, but not yet presented on foot of that account, and the personal account number 1, which we understand to total as follows: Rath Stud account - €2,211.30. Personal account number 1 - €1,268.87.

These two accounts and the special account will be ruled at the following figures, subject only to the addition of interest at:

(A) loan account rate and will cease to operate. Rath Stud account debit - €95,055.87. Personal No. 1 account debit - €69,196.26. Special account debit - €14,312.46.

(B) The proceeds of the additional advanced €12,000

mentioned above will be lodged to a fresh account to be opened which is to be operated by Haughey Boland and Company on your behalf in connection with the operation of Rath Stud and to be maintained strictly in funds.

(C) The existing No. 3 account to be operated by you as a personal account to service your day-to-day requirements and to be maintained strictly in funds.

(D) That the security held and arranged for as set out on the attached be augmented by a second charge ranking to puiuse Northern Bank Corporation on the properties Abbeville and Rath Stud and as it is understood, the former holding is being transferred into the names of yourself and your wife, it will be necessary for her to join in the charge and to provide her letter of guarantee to the bank for your borrowings.

(E) That the bank be kept informed on a monthly basis of progress being made towards arranging sale of assets for clearance of your debts. The entire situation to be reviewed fully within six months at the latest.

At our meeting on Friday you accepted the foregoing conditions and it is understood that you have instructed your financial and legal advisors accordingly, and that contact has already been made between them and Mr. Phelan, our manager at Dame Street. We expect that the most expeditious steps will be taken to finalise all the details in connection with the arrangements being agreed to. Yours

sincerely, Central Advance Controller".

Then there is attached to that the document which sets out a security held for his obligation to Allied Irish Banks

Limited, (1) Life policy œ1,000 1951/90.

(2) Scrip 5765 œ1 in shares Printer Pres Limited.

(3) Letter of guarantee, œ500, H J Boland supported by life policy œ1,000 1951/90.

(4) Equitable deposit of deeds of 12 acres and house in Sligo.

(5) Letter of guarantee œ40,000 Larchfield Securities Limited to be supported by registered deposit of deeds of Inishvickillaun Island. And as already arranged for;

(6) Solicitor's letter undertaking of deeds of Artane property.

(7) Mortgage protection policy of œ110,000".

The next document is a memorandum for the file and it is headed "Charles J. Haughey". The area General Manager, a Manager of Dame Street received from Mr. Haughey at Oldbrook House on the 24th of September of 1975.

"Mr. Denvir put it to Mr. Haughey that his demands from the bank were unreasonable and from the figures available to us he did not seem to have the capacity to fund repayment of his debts without resorting to sale of assets. He suggested to Mr. Haughey that he seek substantial finance from the Agricultural Credit Corporation or request Northern Bank Finance Corporation to advance further sums so as to enable

his indebtedness to this bank to be brought back to more manageable proportions.

Mr. Haughey said that he would be loathe to approach ACC in view of the fact that Mr. Collins had affiliations with the Fianna Gael party and mentioned in confidence that Mr. Peko of Haughey Boland & Company was about to be appointed to the top job in Northern Bank Finance Corporation. In the latter regard due to his personal involvement, it would be loathe at this stage to put any pressure on NBFC to give further monies.

In response to a request from Mr. Denvir he undertook to examine his financial situation in depth and with the aid of his financial advisor to draft up firm projections covering his income and expenditure over the coming year or so. He is to return in two weeks, accompanied by Mr. Traynor, to discuss these projections and following on which Mr. Denvir undertook to represent his case to the Board".

The next document is a memorandum for the file dated the 27th of October 1975. And it is headed "Charles J. Haughey".

"Area General Manager and Manager at Dame Street received Mr. Haughey and his accountant, Mr. Traynor, at Oldbrook House on the 24th of October, of 1975.

Mr. Haughey produced projections which showed that he required additional working capital of œ50,000 to keep his stud farm over the next year. Mr. Denvir at this juncture indicated that there were no grounds for submitting such an application to the Board and sought other proposals which would be more appropriate. Mr. Haughey then gave a firm undertaking that he would try to sell Rath Stud if a buyer could be obtained.

Mr. Haughey also indicated that he owed nobody money except ourselves and the Northern Bank. This, of course, contradicts our information of his borrowings from ACC. We also believe he owes the Bank of Ireland, Raheny Branch money through his wife's account there.

The Rath Stud property is pledged to the Northern Bank but Mr. Haughey feels that if he obtained a buyer he would get half the sale price and he feels the Northern Bank would readily agree to this".

The next document I don't intend opening unless Mr. Haughey wants it opened at some stage.

The next document is a letter from Mr. Haughey to Mr. Phelan, the Manager of Allied Irish Banks, Dame Street, dated the 20th of December of 1976.

"Dear Mr. Phelan, you will be glad to learn that the contract for the sale of the Rath Stud Farm has been signed and a deposit paid.

As I indicated to you I now propose to payoff my indebtedness to the Northern Bank Finance Corporation so that Allied Irish will have a first charge on Abbeville and my other properties.

When I have completed the purchase of the nine acres here at Abbeville and discharged some of the liabilities I should require accommodation of up to €350,000 from your good selves for a further two years.

During the period I shall arrange to dispose of sufficient land here at Abbeville to discharge this liability and in the meantime interest will be paid as it falls due.

I would be very grateful if you would have the Board agree to this proposal.

Thank you for the kind attention you have always given to my affairs. Yours very sincerely, Charles J. Haughey".

And enclosed or attached then is the, I think all we need to put up then is the front page of the application for advance and that's the application for advance it is a bank document and the branch is Dame Street and it is to the Region East West. It is dated the 20th of December, 1976. The name of the Applicant is Mr. Haughey, the address is given as Abbeville, and his occupation as farmer and TD. And what is now sought is overdraft €50,000 at one-third year rate. Term loan €300,000 at one-third year

rate. Total limit €350,000 to be allocated under overdraft
€50,000 at 16, I think it is and three quarters percent,
and term loan €300,000 at 16 and three quarters percent.

"The purpose overdraft and term loan to cover present
indebtedness and to allow margin for expenses pending sale
of sufficient land at Abbeville to clear total debts inside
two years. Repayments and source overdraft review one
year, clear inside two years with sale of lands at
Abbeville.

Term loan, clear inside two years from sale of lands.

Interest charges to be debited to current account half
yearly as they fall due".

Just on the next page, sorry if I may, there is indicated
that the liabilities apart from this, from the bank, that
is Allied Irish Banks, 264,000 to Northern Bank Finance
Corporation being discharged out of sale of Rath Stud. And
then Manager's comment on trend and conduct of the account
is at the bottom. "Has been difficult to control over
years".

The next document is a the facility letter dated the 12th
of January, of 1977. It is addressed to, it is Allied
Irish Banks, Dame Street, and it is addressed to Mr.
Haughey at Abbeville.

"Dear Mr. Haughey it sets out the position in relation

to the accounts. Then it continues "I refer to our meeting at my area office on the 8th of December last and your subsequent letter of the 20th ultimo and I am pleased to advise that in view of existing facilities total accommodation to the extent of ₹350,000 has been sanctioned for you as follows:

(1) ₹50,000 by way of overdraft on working account subject to the usual conditions including interest at 16 and three quarters percent per annum; varying applicable to such accommodation and repayable at the pleasure of the bank.

This facility will be subject to further review one year hence, it being noted that entire clearance will be brought about by the end of 1978. Interest is to be provided for half yearly between March and September.

(2) ₹300,000 by way of loan accounts as to ₹200,000 by way of No. 1 loan account at an interest rate of 16% per annum varying and ₹100,000 by way of No. 2 loan account at an interest rate of 18 and three quarter percent per annum varying. Both loan accounts are repayable at the pleasure of the bank, it being noted that the entire clearance of the loan accounts will be brought about by the end of 1978. Interest on the loan account is to be provided for half yearly in March and September.

We wish sorry I will just pass on for the moment.

There is a small amount on the second page I just haven't got it to hand at the moment sir. Then the next document

is the memorandum dated the 7th of April of 1977. And it is from the area office of Allied Irish Banks area office East to Michael Phelan the manager of Dame Street. And it reads:

"Charles J. Haughey: We wish to acknowledge receipt of your memorandum in this case from which it is most disappointing to note that the indebtedness has increased substantially over the limits sanctioned by the Board in December last and that the interest payment for March 1997 confidently promised has not now materialised.

There can, of course, be no question of increasing the limits beyond £350,000, and accordingly it must be clearly pointed out to Mr. Haughey that the advance is to be brought back to within these limits at the earliest possible date and the security matters finalised within the immediate future.

On the basis that Mr. Haughey has given a clear indication to you of the amount of cheques issued but not yet presented, we will agree to allow matters to run on for the present bearing in mind his firm promise that he will not draw on you further.

In this connection we are wondering has he given any indication, has he given any indication that he would hand in his cheque books?

Should the occasion arise whereby further cheques drawn on

you without prior arrangements have to be deferred, no doubt you will contact the area office." It is signed by the Advance Manager.

There is then, there is a manuscript document then which just refers to the land certificates. Which would look like a receipt for safekeeping, of land certificates, and the folios are mentioned and it seems to refer to the land certificate relating to Abbeville, eight acres in Abbeville, eight acres, three roads, three purchasers.

The next document is a memorandum from the Advances Manager, Mr. O'Donnell, to Mr. Phelan in Dame Street, dated the 14th of June of 1978. And it sets out the position in relation to the accounts which now show that there is €580,960 outstanding. That €135,678 has been put in suspense, and there is now outstanding €445,282.

"We wish to draw attention to the position currently obtaining on the account of the above.

It is totally unacceptable and a matter of concern to the bank that indebtedness to the extent quoted now outstands and the point has been reached when a full report to the Board is necessary. We accept that due to the change in the political climate in the past year it has not been possible for you to tackle the situation as you or the bank would wish, but whatever about the forbearance shown up to this, it is imperative that Mr. Haughey now be interviewed

with a view to obtaining his realistic proposals for dealing with his large and unwieldy debt.

We again draw attention to the Board's ruling conveyed to you in our memorandum of the 5th of January, of 1977, and to the undertakings contained in Mr. Haughey's letter to you dated the 20th of December of 1976. Your comprehensive report within one month will be awaited".

The next document is referable to a document which I didn't open and it is there if anybody wishes to. I am now moving to divider 10.

I should, explain sir, because the next document which I am opening is a letter dated January 1975; the files of Allied Irish Bank contain many documents some of them duplicated and some which overlap, so if it appears that matters look chronologically out of order, they do refer to various matters and it hasn't been possible to collate them purely chronologically.

That is that is letter dated the 29th of January of 1975.

And it is from Mr. McDonnell, Assistant Advance Controller, to Mr. McAuliffe, the Regional General Manager, Allied Irish Banks. It is marked confidential and the heading is "CJ Haughey".

"Your report dated the 28th instant was submitted to the Advances Committee today. The Directors took a serious

view of the increase in the debt since last October and they shared your view that the fresh drawings reflected a most irresponsible attitude. It was decided that consideration of the unsatisfactory position should be deferred until the main Board on the fourth proximo, so that the Directors would have before them the budget preferred by the customer's accountants which will be available on Monday next. "

There is then the report or memorandum of January 1975 which appears to have been submitted to the Local Board. And it deals with the indebtedness as of that time and it sets out the history. The first portion of the document deals with the state of indebtedness and the securities held. The second portion of the document brings the committee up-to-date on the position and then I intend opening the third portion of the document.

"There have been no lodgements to the personal account since October last when œ30,000 repatriation of Zurich deposit was affected. There have been no lodgements to Rath Stud account since October when œ33,000 proceeds blood stock sale came in.

Haughey admits his income is negligible yet he has so far failed to produce data on his outgoings. He says that on the strong advice of Mr. McAuliffe and his accountants, he is working out a budget and this will be available on Monday next. He says he now fully accepts and he is

determined to sell Rath Stud as soon as possible. At the same time he says he is about to commence building a summer residence on Inishvickillaun but was extremely vague about source of finances.

Regional General Manager at further interview yesterday told Mr. Haughey that his audacious application was likely to exacerbate relations with the bank and could only provoke a refusal and a reiterated demand for regulation of his present indebtedness and a firm request of return of his cheque books. Mr. McAuliffe advised Mr. Haughey to raise a substantial further loan from Northern Bank Finance Corporation. Mr. Haughey insisted however that his proposition should be put before the bank Board"

The Regional General Manager's comment; "Mr. Haughey is quite irresponsible in money matters. He cannot be controlled on a running account. His affairs can only deteriorate further. I consider that the time has come to insist on his funding the entire debt by borrowing elsewhere.

On the 29th of January the Advances Committee ruled that consideration of the unsatisfactory position should be deferred so that the main Board could examine the budget being prepared by Mr. Haughey's accountants which was to be available on the 3rd of February.

On being contacted by Regional General Manager, Mr. Haughey

said he would get his accountants working on it. It has not been possible to contact Mr. Haughey in the past few days. The balance in No. 1 account, No. 3 account and Rath Stud's account now stand at œ110,777 debit.

Application declined and written demand to be made for provision of acceptable payment proposed in respect of the indebtedness outstanding at present. In addition debtor to be interviewed and requested to return any cheque books in his possession. Aim should be to obtain an early substantial reduction with a view to bringing debt within the value of the existing security. If this is not possible of achievement, the question of obtaining adequate additional security pursued".

Now, if the document could be just moved up there is a manuscript. Regional General Manager's recommendation was made, was supported sorry, "was supported, reference was made to views of Local Board expressed in October last when suggestion was made that line should be drawn then at œ67,970".

The next five documents in fact are duplications from documents already opened. So the next document I move to is a handwritten document. It is the main Board on the 4th of the 2nd, 1975, CJH. Application declined and written demand to be made for provision of acceptable repayment figures sorry, I beg your pardon sir, I find it

MR. MCGONIGAL: It is the same as he read out a few minutes ago on page 60.

MR. COUGHLAN: Very good.

Yes, it is. Thank you Mr. McGonigal. It is written in typed form on the document which I opened a few moments ago.

"Application declined and written demand be made for provision of acceptable repayments proposed in respect of the indebtedness outstanding at present. In addition debtor to be interviewed and requested to return any cheque books in his possession. Aim should be to obtain early substantial reduction with a view to bringing debt within the value of the existing security. If this is not necessary of achievement the question of obtaining adequate additional security to be pursued".

The next document is a memorandum of interview at Oldbrook House on the 3rd of March, of 1975, with Mr. D Traynor of Guinness and Mahon. The state of the account is set out at the top, and present for the bank Mr. LJ Sweeney, Central Advance Control and Mr. McAuliffe, Regional General Manager.

"Mr. Traynor handed in a letter addressed to bank by Mr. Haughey giving bank freedom to disclose information respecting his accounts to Mr. Traynor who explained that

the object of his visit was to ascertain how his client stood with us. He had arranged an appointment with Mr. Tierney of Northern Bank Finance Corporation also to find out the position there and would also have an interview with Mr. Pat O'Connell, solicitor, following which he would draw up a composite picture of Mr. Haughey's affairs, which he will discuss with him on Saturday, March the 8th, with a view of formulating proposals for dealing with the entire situation and in particular the position in respect of AIB.

The very serious and deteriorating situation respecting Mr. Haughey's accounts with us was fully explained to Mr. Traynor. He appreciated the gravity of the matter and he promised to have a very down to earth discussion with his client on Saturday, following which he will telephone the bank on Monday to arrange a further interview with us at which Mr. Haughey would be present to put forward proposals for the dealing with the debts and the future course of the accounts".

The next document is a memorandum dated the 20th of the 3rd, 1975, it is a memorandum of Mr. Haughey present at a meeting at an interview at Oldbrook House. The account, figures of the account are set out. Mr. CJ Haughey.

Present for the bank were LJ Sweeney, Central Advance Controller and Mr. TD Keane, Advance Manager.

"Memorandum of interview at Oldbrook House on the 19th of

March, 1975, with Mr. Haughey and his financial advisor, Mr. Des Traynor.

This meeting was a follow-up of Mr. Traynor's recent call to Oldbrook House when it was arranged that both parties would fully consider the position and return with proposals for dealing with the above indebtedness and the future course of the accounts.

At the outset Mr. Traynor pointed out that he saw no possibility of sales of Rath Stud or part of Abbeville at acceptable figures being affected at present, due not only to the economic situation but also to the reluctance of buyers to invest due to impending wealth tax and inheritance tax legislation.

He requested the bank to let the matters rest for six months. The borrowings to be frozen at present figures.

In the meantime Mr. Haughey will live on his parliamentary income, €7,000 per annum, but a further advance of €12,000 (2,000 per month) was requested to pay outgoings for Rath Stud. This additional amount would be cleared without fail from sale of yearlings expected to realise €30,000 in September next.

In making this request Mr. Haughey and Mr. Traynor also confirm that they were fully satisfied that property must be sold to clear the very substantial borrowings, some €400,000, including NBFC €220,000 plus interest, but the

moment was not the time. However, the necessary preliminaries will be initiated without delay to ensure sale in six months. In reply to Mr. Sweeney, Mr. Haughey supplied the following full picture of his assets:

Abbeville House - residence with 250 acres, cost €140,000 in 1968/69. In normal times could fetch 1.5 million, in present conditions €800,000 value. This property vests in Abbeville Limited, shareholders Mr. and Mrs. Haughey, but due to introduction of wealth tax it is intended to liquidate the company and property will be transferred to Mr. Haughey. Contents of above value: €50,000. Total: €850,000.

Rath Stud - 150 acres with small house and stables. 24 acres vest in Abbeville Limited. Cost €30,000 in 1960's. 20 acres on main road. Has development potential. Collen Brothers were at one time interested for factory. Value €200,000.

House and 12 acres at Sligo, value €10,000.

Inishvickillaun island, County Kerry, value €20,000.

House at Artane, value €10,000.

Site at Wexford, value €2,000.

Livestock, value €20,000.

Blood stock, value €130,000.

Share in stallion, value €10,000.

Life policy sale, value €700.

Total: €1,252,700.

Outgoings: Stud manageress and eight men wages; œ18,000 per annum.

Feed, œ6,000 per annum.

Veterinary fees, œ1,200.

Heat, et cetera, œ2,400.

Domestic staff, œ5,000.

Total: œ32,600 per annum.

On the above figures Mr. Sweeney voiced considerable doubt of client's ability to manage on œ12,000 for the coming six months, and it is very hard to visualise him living on his political income.

It was impressed on Mr. Haughey that the Directors' reaction to the request now submitted could not be anticipated. It was pointed out most forcibly that the Board was running out of patience at the conduct of the accounts, and the visitors were reminded that as recently as the 4th of February when the overall borrowing stood at some œ16,000 less than now, the Directors not only refused a request for additional accommodation, but called for an immediate and very substantial reduction in the indebtedness and acceptable proposals for clearance.

They also instructed that adequate security be obtained.

Mr. Haughey replied that he would be quite willing to give this bank a second lien ranking puinse to the NBFC's charge on the Abbeville and Rath properties. He was also satisfied

that NBFC would have no objection to this.

In conclusion, Mr. Haughey expressed his appreciation of the bank's reasonable attitude towards him. The meeting terminated on the understanding that Mr. Traynor would forward written submissions within a few days to enable the matter to be put to the Board".

The next document has already been opened, the next three documents.

Sorry, there is one document which I haven't opened sir.

It's a memorandum of interview at Oldbrook House on the 21st of February of 1975. "Present for the bank were Mr. Sweeney and Mr. McAuliffe. Mr. Haughey was informed of Board ruling on the 4th of February and handed the secretary's letter of that date which he carefully read.

The Board's extreme concern regarding the deteriorating state of his financial affairs was explicitly explained to him and it was demanded that he hand up his cheque books, make immediate arrangements for very substantial reduction of his indebtedness and submit acceptable proposals for adequately securing and repaying the balance which was then remaining. Mr. Haughey unequivocally accepted that he was at a crisis point and would have to take the most immediate and resolute steps to satisfy the bank, but he refused to hand up his cheque books.

He asked to be allowed the weekend to consider his

situation and lines of effective action in consultations with his financial advisor, Des Traynor of Guinness and Mahon, who had been prevented from accompanying him to today's meeting by the death of his father.

It was pointed out to Mr. Haughey that the Board's worse fears were supported by the fact that since the last meeting with him on the 27th of January, his indebtedness had increased by some €8,000, apart from the increase €10,000 occasioned by the payment made at the foot of his indirect liability for the Printer Press Limited account, and that the hemorrhage could not be allowed to continue.

On the understanding that he would curtail drawings and that he would telephone the bank on Monday to arrange a further meeting at the earliest possible date with him and Mr. Traynor, at which the bank would be given adequate and acceptable proposals, it was agreed to give Mr. Haughey the required days of grace. In the course of the discussion Mr. Haughey mentioned:

(A) The possible necessity to sell not only Rath Stud but also part of the Kinsealy lands.

(B) The necessity to reorganize his use of the Kinsealy land in order to increase his income.

(C) That his estimated income for this year was €20,000, which I acknowledged was entirely inadequate to meet his outgoings, including the huge interest charges".

I will be passing over the next document in the book for the moment to proceed to the document after that.

Sorry, I should have said "bunch" of documents. It is the document dated the 13th of September of 1976, Area Office East, Dublin West Region, 7-12 Dame Street. It is the account of Charles J. Haughey TD, B Comm. FCA, Barrister at Law, Opposition spokesman on Health, farmer, blood stock breeder, formally Minister for Justice, Agriculture and Fisheries and laterally Finance in Fianna Fail Government.

The document sets out the last formal limits on the 3rd of April of 1975. And indicates that they stood, the limits stood at €173,776. "The position at the 16th of September of 1975 - €187,069. And the position at the 29th of June of 1976 - €272,980. Interest for current half year, €20,000 is being placed to suspend interest as amounts per half years, September 1975 - €13,290, and March 1976 - €15,844, have not been paid by Mr. Haughey. Total debt at the 13th of September, 1976, including interest is €282,000. This figure may increase. No indications available of amount of outstanding cheques.

Total debt has increased by approximately €96,000 in past year, including interest additions €36,000".

The document then sets out the securities held. And the assets, the liabilities, again Allied Irish Banks and Northern Bank Finance Corporation, and the recent history is set out.

I now turn to the next page of this memorandum or report, which commences; "September 75 - further €15,000 sought in stud working account, but Advances Committee declined.

September, October 75 - Mr. Haughey and advisors interviewed by Mr. Denvir, Area General Manager, who declined to put any further request to Board. Mr. Haughey was requested to seek finance from ACC or Northern Bank Finance Corporation to take out this bank, but for various political reasons he could not do this. When it was mentioned that €50,000 per annum was required for working capital Mr. Denvir indicated that this proposal could not be put to our Board. Mr. Haughey undertook firmly to try and sell Rath Stud.

March/April 1976 Mr. Haughey had further meetings with Mr. Denvir but nothing emerged. Mr. Denvir advised the Local Board of the up-to-date position in May 1976 when total debt was €246,871. Proposals from interview between Dame Street Manager, Mr. M. Phelan and Mr. Haughey 13th of September 1976:

(1) Mr. Haughey suggested that we take over NBFC debt €220,000 plus interest two years. Resulting aggregate debt half a million pounds approximately to be rolled up for seven years, originally requested 10 years. Entire debt and interest to be cleared at the end of that period from sale of Abbeville then for an expected two and a half million.

(2) He intends to sell Rath Stud in the near future and is confident €300,000 can be released of which €160,000 will be required to purchase an alternative stud farm in County Kildare and a further €40,000 to buy nine acres adjoining Abbeville, leaving a net cash surplus of €100,000. It is probable NBFC as first mortgagee would require this sum.

Arising from the foregoing Mr. Phelan suggested that Mr. Haughey sell Rath Stud outright, but Mr. Haughey would not do this as (A) blood stock is his only taxation outlet and (B) publicity would attach to an outright sale which would indicate that his bankers were exerting pressure. He also mentioned that Gallagher Group Builders would purchase a portion of Abbeville at €15,000 per acre. He said planning permission would be no problem, although Mr. Phelan pointed out any future legislation to limit building land prices could effect such a sale.

When asked could he live on his income for the next seven years without further bank drawings he replied "I would have to". The sharp increase in the debt in 12 months seemed to surprise him and he said he would request Haughey Boland to analyse it.

Finally, he mentioned that the bank did not make use of his influential position and he indicated that he would be more than willing to assist the bank in directing new business, et cetera. He intends to devote a further 10 years to

politics".

If I may now return to the documents which I have just passed over, which is the memorandum dated the 16th of September, 1975.

Again if I may just explain the document which I don't intend opening in full. It sets out the state of the accounts. What is now being sought. The purpose for which it is being sought, the security held, the security in course, and the history.

Turning to the next page then, I will pass over the recent history which has been dealt in many other documents. And I will pass over the report, which again has been dealt with in many other documents. I want to turn to the third page, if I may.

And it is the branch manager's recommendation. "Despite the unattractiveness of the proposition, Mr. Phelan recommends sanction, bearing in mind that the likelihood of Mr.

Haughey being a man of influence in the future and the fact that the additional amount will be repaid March/April.

The area office recommendation: Not recommended. Feel that we should press for adherence to conditions so firmly put and accepted by Mr. Haughey in April last.

Local Board recommendation: Referred to Advances Committee. Would not support additional advance until previous undertakings given are honoured and security is

put in order".

And as a result of all of that, it generated this memorandum which precedes that bundle of documents I just referred to immediately, and it is the memorandum dated the 17th of September of 1975, and to Mr. Denvir, the Area General Manager, and it is from the Senior Lending Manager.

"With reference to the branch application of September the 16th, I wish to advise that the matter was considered at today's meeting of the Advances Committee.

On looking at the situation the Directors were very disappointed that not only was the client seeking additional facilities, but in addition repayment of the additional facilities approved last April was not now envisaged, even though the blood stock from which this reduction was to come is being disposed of this week.

The Board also commented unfavourably on the fact that no particular arrangements for liquidation of any borrowings had been drawn up while many of the terms, particularly in the matter of security agreed last April, remained unfulfilled.

In these circumstances therefore the directors regretted that they were unable to sanction the required advance.

They also asked that the matter of the outstanding security

be followed up and that the branch should arrange to advise you as to the developments in this regard one month hence".

MR. MCGONIGAL: I wonder, Mr. Chairman, I am just a little bit confused of what Mr. Coughlan is doing, particularly following he read a document of the 13th of September of 1976, and then came back to 1975. I am not sure whether he is making a suggestion that there is some connection backwards with those documents or why specifically he took the 76 document prior to the 75 document, bearing in mind that the 75 documents precedes the 76 document in his book? And there are things in those which don't have any connection I am not quite sure what, why he is doing it this way and perhaps if he could just explain, and perhaps he would indicate at the same time how these documents fit into the Terms of Reference, because I can't quite see where they do?

CHAIRMAN: Mr. Coughlan?

MR. COUGHLAN: Sorry sir. Perhaps in relation to the question of the Terms of Reference. This is the first time My Friend, Mr. McGonigal, has indicated that he didn't see where these documents fitted into the Terms of Reference. Perhaps I should just explain.

These documents have been served for some period on Mr. Haughey. I should just say that. The Term of Reference

(A); "where any substantial payments were made directly or indirectly to Mr. Charles J. Haughey, whether or not it was to discharge monies or debt due by Mr. Charles Haughey or due by any company of which he was associated, or due by any connected person to Mr. Charles J Haughey within the meaning of the Ethics in Public Office Act 1985, and discharged at his direction during any period when he held public office commencing on the 1st of January, 1997, and thereafter up to the 31st of December, of 1996, in circumstances giving rise to reasonable inference that the motive for making the payment was connected with any public office held by him or had the potential to influence the discharge of such public office".

The Tribunal has indicated that he wishes to inquire into whether the foregoing of the interest by Allied Irish Banks constitutes a payment or benefit within the meaning of that particular Term of Reference.

The Tribunal has also indicated that it wishes to inquire if that be so, whether it was connected with any public office held by Mr. Charles Haughey. In that regard the Tribunal wishes to inquire into the full circumstances surrounding the forbearance in respect of that interest.

That is what is being inquired into; sorry sir; that is what these documents are being opened, directed to at this stage, and I should say that in that regard that the Tribunal would be required to inquire in relation to an

inference being drawn as to being connected to the holding of public office, not just in the context of a positive act being done or whether it affected, it was connected to the holding of public office by reason of negativity; in other words, that somebody could have put pressure, for example, on somebody to forebear a benefit.

CHAIRMAN: Well, just perhaps you would deal with what. I accept, Mr. Coughlan, from the variation of files and sequence does perhaps inherently make the whole succession of documents a little unwieldy and make a precise chronological sequence difficult to obtain.

MR. COUGHLAN: Yes.

In relation to that, I should say sir, I indicated - I indicated already and there is no suggestion I should, to let Mr. McGonigal know that there is any significance to be attached from moving to 1976 to 1975. I indicated, I think sir, that documents have been out of synchronization in the documents furnished to us by Allied Irish Banks.

The Tribunal has attempted to extract the relevant documents from a very, very large bundle of documents or files of documents. There are references made over varying periods in different bundles of documents, and whilst the Tribunal has done its best to keep them in chronological order, there shouldn't be any conclusion drawn that when they are not in chronological order that a major

significance has been drawn to it.

It is merely the fact, the way the documents came presented to us and our attempt to make them available to the parties interested and for use in public.

CHAIRMAN: And it has been my understanding that the files submitted by Allied Irish Banks reflect accumulated documentation assembled by different arms of the bank chain?

MR. COUGHLAN: That is the situation sir. So they come from different areas within the bank. It is not one particular area.

CHAIRMAN: Yes, Mr. McGonigal.

MR. MCGONIGAL: With great respect, that is a fine excuse, but is not supported by the fact in this particular instance. I am merely drawing the Tribunal's attention to it because I just didn't merely understand it, the documents as we have been given them are very much in sequence, and particularly the documents to which I was referring.

Mr. Coughlan appears to have jumped from a document forward in the book which was the 13th of September, of 1976, and then jumped back to the 1975 documents. If he had stayed in sequence there would have been no need to jump forward. On the facts in the books which we have been given, and

which presumably are the same ones which Mr. Coughlan has, the excuse that documents are not in chronological order doesn't apply in this particular instance. I am merely making the point because I don't understand why it was being done.

So far as the Terms of Reference is concerned, there are two matters I want to draw to the Tribunal's attention.

First of all during the period 1970 to 1977 Mr. Haughey was not in public office as I would define it and I don't understand at all quite frankly how all of the discussions between the bank internally and a few meetings which they had with our client come within the Terms of Reference, bearing in mind that we were supposed to be talking about funds directly or indirectly received.

What we have had this morning is a discourse from the bank internally and with our client as to the management of an account during the time that he was not holding public office, so it doesn't seem to me prima facie that these memoranda come within your Terms of Reference at all.

The second matter of course, which I would have regard to is that in Mr. Justice Geoghegan in his judgement in the High Court was of the view that anything which went prior to 1974 would be oppressive and constitutionally questionable as to whether the Tribunal should inquire before that date at all. And it seems to me that if the

Tribunal are going to inquire into the detailed private affairs of an account which, on the face of it, are not related to the Terms of Reference that a full explanation is required as to the justification for doing such a thing.

CHAIRMAN: Mr. Coughlan?

MR. COUGHLAN: Sir, this is the first time that Mr. McGonigal has made this point. Mr. McGonigal has first of all had these documents for some time. The first indication given to the Tribunal is when Mr. McGonigal stood up now, in relation to these documents. There has been no indication to the Tribunal that Mr. McGonigal or his client had any difficulty with these documents being opened to the Tribunal before this.

The purpose of the - I don't want to use the word "relevance" sir, the purpose of opening these documents is specifically related to the Terms of Reference (1). It is for the Tribunal itself to interpret its own Terms of Reference as the Supreme Court held in the judgement of Haughey and Others versus Moriarty and Others.

The Tribunal in that regard, sir, is the person charged with carrying out the inquiring, based on its interpretation of the Terms of Reference. And in this regard the Tribunal has conducted an inquiry in respect of the forbearance, in respect of interest which occurred when

Mr. Haughey was Taoiseach.

The circumstances, all circumstances surrounding that I respectfully submit are appropriate matters for the Tribunal to inquire into to ascertain whether or not that forbearance related to, or gives rise to an inference that it is connected with the holding of that particular office, and it is in that context, sir, that the full circumstances surrounding the account, I respectfully submit, are relevant to be inquired into at this stage.

CHAIRMAN: Mr. McGonigal?

MR. MCGONIGAL: Two things Mr. Chairman. First of all Mr. Haughey became Taoiseach in 1979 to 1981, it would seem to me if Mr. Coughlan is maintaining that we are dealing with that, we are specifically concerned with the forbearance of interest, that he would go immediately to that period and establish that there was a forbearance of interest, and the circumstances surrounding that forbearance of interest which existed at that time.

Having established that as a fact if it was contested or if there was something within that material which required going backwards to 1974, then there might be some justification for going into the period 1971 to 1977.

Which on the basis of what Mr. Coughlan has said so far, there is no justification for going into virtually 90% of what he has opened this morning. That is the first

matter.

The second matter is that he criticises me for leaving it until 20 past 12 before making an objection in relation to these private matters. Part of that was because I had indicated to Mr. Coughlan that we were here, because we, it was in respect of this issue that we saw no issue on fact in relation to the AIB situation as we understood it in 79 to 81, and I had assumed that Mr. Coughlan in his opening was going to establish what the relevance of all this was. That appears not now to be the situation.

He is suggesting that the only reason for opening it is because it has something to do with the forbearance of interest from 1979 to 1981, and it seems to me that the proper way of dealing with that is to go to that, establish that and see what the issue, if any issue arises; and to be going through the person's account and his dealings with the bank in a period with which the Tribunal is not primarily concerned, seems to me to be a gross breach of privacy, and Your Lordship; you will remember Mr. Chairman, that in the Goodman V Hamilton case in the Supreme Court, that one of the matters which the Supreme Court touched on was that private matters should not be investigated by a Tribunal unless there is a public element attached to it, and in this period 1971 to 1977 there doesn't appear to be a public element attached to any part of this documentation.

CHAIRMAN: Well, to deal briefly with the matters at issue, I accept from Mr. McGonigal that the chronological sequence has not been exact. It seems to me that it has deviated from that only to a limited degree, that I cannot at this juncture lead anything potentially unfair or prejudicial in the degree to which it has not been chronological, and I accept from my own general knowledge of the private investigation, that a proliferation of files coming from many, many sources has necessitated a collating and editing on the part of the Tribunal lawyers to seek to put before the Tribunal those matters that were most salient, insofar as matters can be continued on a chronological basis. I have no doubt that Mr. Coughlan will seek to do the best that can be done in that regard.

Secondly, it seems to me abundantly clear that as regards the alleged decision that was taken by the Allied Irish Bank Corporation at a stage subsequent to when Mr. Haughey regained power through the Fianna Fail Party, and having obtained the eminence of the position of Taoiseach, that it is potentially very clear within a construction of Term of Reference No. 1, that what may have been done by the bank could amount to a payment or benefit in the wider definition ascribed by that Term of Reference, such as to make it a matter that ought to be inquired into by the Tribunal at its public sittings.

Perhaps the matter to which most exception is taken by Mr.

McGonigal is in the context of his concern that matters touching upon his client's finances, not merely at the time of 1979 but going back in that decade are being opened to the Tribunal in a manner which he contends is potentially unfair and oppressive, having regard to the Tribunal's duty to infringe privacy no more than is consistent with the remit conferred upon it by the Terms of Reference.

I accept, whilst it did not purport to be a binding direction upon the Tribunal in Mr. Justice Geoghegan's decision in the High Court, that he referred, in the context of the inception of and the background arrangements surrounded by, the middle of the 1970's decade, that it might seem appropriate that the inquiries, investigations, should seek not to go further back than that particular period. Indeed I think it is fair to say that correspondence had by the Tribunal solicitor, Mr. Davis, with Mr. McGonigal's instructing solicitor has referred to that matter and has sought to place before Mr. Haughey's advisors the Tribunal's intention not to intrude on privacy more than is consistent with its remit.

Indeed I am of the belief that correspondence has also emphasised that the Tribunal with its paramount task of fairness to all persons involved, will seek to ensure that matters are not embarked upon where frailty of memory or other factors might give rise to a situation of potential unfairness.

Given that the Tribunal appears in my view to be justifiably looking in some detail upon the precise arrangements that came to pass at the end of the decade at a time when Mr. Haughey was indeed Taoiseach, it seems to me inevitable that the Tribunal cannot be expected to simply give the most trivialised or summarised account of what may have transpired in the context of a substantially accumulating indebtedness going back over some years.

As I understand it emphasise has been placed on some memoranda and other documents, correspondence dating from the matters opened by Mr. Coughlan, primarily from in or about the start of 1974. It seems to me inevitable that some relatively detailed setting of the scene is necessary, otherwise what transpired at the time that pertains directly to the Terms of Reference would be to a substantial degree incomprehensible.

I am aware that Mr. McGonigal does argue with some force against a needless degree of intrusion on an historic basis. It seems to me at this juncture that the Tribunal advisors have been doing their best to highlight only those documents that are most salient in the context of an accruing indebtedness building up from in or about the start of 1974, and that this is a necessary setting of the scene within which any construction of matters directly relating to the Terms of Reference on a time and a position

of public office scenario arises. In this regard it seems to me that what has, that the course that has been taken by the advisors to the Tribunal is unobjectionable and is not outside of the Terms of Reference as I understand them.

We will resume at ten to two for the afternoon session.

Thank you.

THE HEARING WAS THEN ADJOURNED FOR LUNCH

THE HEARING RESUMED AS FOLLOWS AFTER LUNCH:

CHAIRMAN: Good afternoon.

MR. COUGHLAN: May it please you sir.

I should be dealing with some documents now sir. The next document is a letter or memorandum from Mr. dated the 30th of September, of 1976, from Mr. Casey, the Senior Lending Manager to Mr. Denvir, the Area General Manager East, Allied Irish Banks.

It has Mr. Charles Haughey, and it shows the debit of 304,964 and suspense interest of £19,770.

"Your report of today's date is being considered by the banking department and lending committee.

As you well appreciate a final policy decision on the calling in of the debts and the returning of cheques unpaid in this particular case must rest with the main Board of the bank. However, the Committee felt sure that the Board

will share their alarm at the unprecedented level of the debt, the huge drawings made in the past 12 months and Mr. Haughey's total disregard for previous Board rulings and his own promises so firmly given.

One thing is clear, and that is that the account cannot be permitted to drift any further, and it is suggested as a prelude to the submission of the entire position to the Advances Committee on Wednesday next, you adopt an uncompromisingly hard attitude at your interview tomorrow with this customer. It is felt you should immediately demand the return of all cheque books and peremptorily seek his urgent adherence to his previous promises to liquidate the debt in its entirety.

In this latter context it should be made abundantly clear that the Board will expect to have placed before them proposals containing clearly identifiable sources of repayment within a very strict time frame.

It must be explained by you to Mr. Haughey that any unwillingness on his part to respond to the foregoing demands will lead to the unhappy position of the Board having to consider at their meeting on Wednesday next the alternatives open to them for containing this unauthorised debt and bringing about its early clearance.

It is also seen as desirable that you should touch on the need to involve Mrs. Haughey in future discussions. You

are no doubt conscious of the fact that Mrs. Haughey's guarantee is now inadequate.

On the question of security, you should also firmly establish the amount now outstanding at foot of the first charge on the Abbeville and Rath properties.

We look forward to your future report and your recommendation in the light of your interview, in order that the matter may be submitted to the Board. In the meantime, it is felt you should seek the advices of the Group law agent concerning the giving of adequate notice and any other technicalities, should the Board be faced with alternatives embracing the calling in or legal containment of the debt.

J E Casey, Senior Lending Manager" .

The next document need not be opened.

The next document is an up-to-date summary as of the 30th of September, of 1976. It is the previous page

The beginning of the document deals with the account, the totals, then it deals with the summary of security. It then deals with liabilities, and then on the 13th of September, of 1976; "Meeting with Michael Phelan, Manager, Dames Street. Proposed we roll-up debt for 7 years to be cleared then by sale of Abbeville two and a half million. Also sell Rath Stud now and purchase another stud in

Kildare, plus nine acres adjoining Abbeville, leaving net income 100,000 which would obviously be retained by NBFC first mortgagee.

14th of September, of 1976. Luncheon with Chairman of AIB. Attended by B Moyter, Secretary of AIB, and ND Kennedy, Regional Manager, Dublin West.

Above proposal aired again but Chairman left Mr. Haughey in no doubt that the bank could not entertain such a suggestion. Position of debt not discussed but Chairman stressed desirability of realising sufficient assets to clear debts.

Now suggested. Mr. Haughey is to call to area office tomorrow, and in view of alarming increase in debt in past year, and particularly during bank closure, it is now considered desirable in the absence of realistic proposals to freeze all accounts, demand immediate return of cheque books, and if refused confirmation that Board would approve the return of his cheques.

Note February 1975 - Main Board demanded return of cheque books, however this did not subsequently happen as fresh proposals resulted in ruling of accounts and drawing on stud accounts being made by auditors with personal account to be maintained in funds.

Banking department lending committee". I don't think I

need go over in detail this memo, because most of it is reflected in the second last document which was the communication from Mr. Casey to Mr. Denvir.

The next document is a duplication of the Casey Denvir communication.

The next document is a memorandum of meeting at Oldbrook House, 1st of October, of 1976, with Mr. C. J. Haughey present on his own, attended by Mr. Denvir, Mr. Phelan, and Mr. Coyne, Assistant Advances Manager.

"At the outset Mr. Denvir adopted the very hard line suggested by the Banking Department Lending Committee, and having spelt out the bank's attitude to the major increase in the debt over the past year he formally demanded Mr. Haughey to hand in his cheque books forthwith.

At this point Mr. Haughey became quite vicious and told Mr. Denvir that "He would not give up his cheque books as he had to live" , and "That we were dealing with an adult and no banker would talk to him, Mr. Haughey, in this manner" .

Furthermore he stated that if any drastic action were taken by the bank he could be a "very troublesome" adversary.

Having settled down somewhat following this outburst discussions took place and various proposals were aired, including takeover of NBFC debt by AIB, which was

automatically rejected, and also question of taking in a partner to Rath Stud at €150,000, not attractive to NBFC first charge, and a suggestion that we as bankers should be able to advise Mr. Haughey as a client on the possibility of some other agencies such as a pension fund, taking over the entire debt and rolling it up for 7 to 10 years pending sale of Abbeville then.

At all times the present critical situation was stated clearly to Mr. Haughey, who could give us no explanation for drawings of €118,000 in 12 months, and finally the following proposals emerged, these will be put in writing the week after next, he will be in Brussels all next week.

(1) Freeze debt now at €310,000.

(2) Mr. Haughey will undertake to pay interest €50,000 approximately per annum half yearly commencing March 1977. We gather he can make an arrangement with a colleague to provide this sum.

(3) He has already given instructions to auctioneers Dan Stephenson to dispose of Rath Stud for €300,000, i.e. €2,000 per acre. This could take six months and would only serve to satisfy NBFC first charge, thereby giving AIB first charge on Abbeville.

(4) Within two years Mr. Haughey would sell 150 acres of Abbeville and retain house and one hundred acres for residence and stud farm in lieu of Rath Stud land near

Abbeville as green belt making €5,000 per acre.

With a view to rounding off the 150 acres for sale he has purchased nine acres for €32,500 from a neighbour due to be paid for end of November.

(5) A sum of €10,000 per annum to be advanced by the bank each year for living expenses for the next two years pending sale of 150 acres, no excesses whatsoever on such limit. He stated he has €10,000 from Dail, €6,000 other income, and 26,000 in all should be sufficient.

Finally, he stressed the importance of his position, prestige, etc. and in account would he consider outright sale of Abbeville now as it is in his constituency.

Meeting concluded and he departed having been left in no doubt as to the seriousness of the situation and of the bank's firm intentions once and for all to freeze the debt and obtain payment in full in the short-term".

The next document is a duplication of that memoranda.

The next document is a memorandum from Mr. Denvir, the Area General Manager, to Mr. Casey, the Senior Lending Manager of Allied Irish Banks, dated 5th of October, of 1976.

It sets out the position in relation to the accounts, and it says; "With reference to your memorandum of 30th ultimo conveying views of Banking Department Lending Committee in this case, we now attach report following meeting with Mr.

Haughey at area office on Friday last. As you can see from the report a very firm line was taken which was met with strong resistance from Mr. Haughey. He was left in no doubt as to the bank's attitude to the unacceptable level of the indebtedness and to the options open to the bank if immediate steps are not taken to arrive at realistic proposals for clearing the entire debt in the short-term.

Since Friday we have been in touch with Mr. J Golden, Investment Manager AIIB, with a view to establishing if AIIB or any outside institution would be interested in a sale lease back of portion of Mr. Haughey's lands at Kinsealy. In addition, we have had a preliminary discussion with our Group law agent on the question of "adequate notice", and in his opinion three months notice would be necessary if the bank were to consider calling in the debt.

As Mr. Haughey is in Brussels all this week and will not be calling to Mr. Phelan, Manager at Dame Street until Monday next, the 11th, with written proposals along the lines in the attached report, we should be obliged if the formal report to the Advances Committee could be deferred for two weeks. In the interim the exact balance due to NBFC would be established, and we will request Mr. Phelan to raise the matter of having Mrs. Haughey's guarantee increased".

The next is a short letter, copy letter of 6th of October, of 1976, from Mr. Casey to Mr. Denvir. And it is Re: Mr.

Haughey, and the accounts are referred to.

"We have received your memorandum of the 5th inst. with enclosure from which it is noted that arising out of the very firm line adopted by you, firm line adopted by you, Mr. Haughey is to let the bank have written proposals for dealing with his indebtedness next week for dealing with his indebtedness next week.

In the circumstances we look forward to your full report within next two weeks for submission to the Board" .

The next document is a memorandum of a meeting at Oldbrook House, on the 8th of December, 1976. Present: Mr. Haughey on his own. Attended by Mr. Phelan, Mr. Denvir and Mr. Coyne, Advances Manager.

"This meeting followed a previous one on the 1st of October wherein certain proposals were set out briefly.

(1) Freeze the debt at €310,000.

(2) Undertake to pay the interest half yearly, commencing March 1977.

(3) Sell Rath Stud for €300,000. Give the bank a first charge on Abbeville when Northern Bank Finance is paid off.

(4) Within two years Mr. Haughey will sell 150 acres of Abbeville and retain the house and a hundred acres. To achieve this he already purchased an additional nine acres to roundoff Abbeville at €32,000 due to be paid before the

end of November.

(5) The sum of £10,000 to be advanced by the bank every year for living expenses for the next two years pending sale of 150 acres.

The present meeting confirmed that the Rath Stud has been sold for £350,000 to a man called Maurice Tailor from the North of Ireland. Previously a client of ours, P Downing, client at Grafton Street, had been interested and we had arranged finance for him but he only went as far as £300,000. Not quite clear when the closing date is but it will probably be fairly soon. Mr. Haughey will have to pay Capital Gains Tax and the following is the expected outcome of the sale:

Gross price - £350,000,
deduct Capital Gains - £30,000,
leaving - £320,000.

Northern Finance Corporation - £264,000,
leaving a balance of £56,000.

Deduct - £32,000 for purchase of nine acres,
leaving a balance of £24,000.

This balance is required by Mr. Haughey to pay immediate sundry debts which have been outstanding for quite some time.

He now proposes next year to sell 30 to 40 acres of Abbeville at £10,000 per acre, and in that connection the

County Council are already running a sewage scheme across a portion of his lands, and he has had consultations with them regarding expansion of the sewage scheme with a view to catering for a larger development within the area, and he is confident that planning permission will be obtained.

With regard to the bloodstock on the Rath Stud; he will sell some of this and will retain three good mares which are to be transferred to Abbeville.

The bank debt now stands at €330,000, this figure may be €340,000, we are not sure if the cheque for €10,000 issued last week for the deposit on the nine acres has been presented.

Based on original request for 10,000 per annum living expenses and assuming current balance is 330, Mr. Haughey is now seeking €350,000 in all, and it would be proposed to place €300,000 of this on loan account with interest to be met half yearly, March/September. The working account to fluctuate at a limit of €50,000 pending sale of the Abbeville lands.

Mr. Haughey is to place all these proposals in writing within the next week or so in order that they may be submitted to the Board for consideration.

Footnote: We are aware through an independent source of information that Mr. Haughey has recently signed a contract

for €150,000 to Unidare Limited for electrification of his island, Inishvickillaun, off the Blaskets. We hold the deeds as security".

The next document is a newspaper cutting and may be passed over.

The next document is a report, and it is dated the 21st of December, of 1976. It seems to be in preparation for a new proposal, and it is the outline proposed to be advanced before an Advances Committee in January of 1977. It sets out the position in relation to the accounts and the limits now sought.

Turning to the summary of Mr. Haughey's proposals; "Arrived at following very hard line taken by bank over past 12 months, culminating in meeting with Chairman on 14th of September and further meetings with Area General Manager in September/October and the 8th of December.

(1) Rath Stud now sold €350,000. Closing date to be advised. Deposit paid.

(2) Northern Bank Finance Corporation to be paid off in full, €264,000, thereby giving AIB a first charge on Abbeville House and 250 acres Kinsealy, County Dublin, value 6 to €700,000. Following payment for nine acres adjoining Abbeville 32,500, Capital Gains Tax 30,000, there will be a surplus of €24,000 required to pay accumulated

personal debts, no net income into bank from sale.

(3) Mr. Haughey will sell sufficient lands at Abbeville in 77, 78 to clear entire indebtedness. Dublin County Council at present laying water sewage scheme across lands for a development and planning permission being: Actively sought. No difficulty envisage and €10,000 per acre expected.

(4) Pending entire clearance in two years Mr. Haughey will require facilities of 350,000 in all. Interest to be met each half year as it arises".

Then there is a summary of the present security position.

And a summary of the proposed security following clearance of NBFC debt.

"First charge on Abbeville, Kinsealy, value 6 to 700,000.

Charge to be stamped to €350,000.

(2) Letter of guarantee at €190,000 from wife, to be increased to €350,000.

(3) Letter of guarantee €40,000 of Larchfield Securities Limited, supported by deeds of island, guaranteed to be increased to cover value of property if necessary" then other small items.

Turning to the next page; "Suggestion on interest rates.

Mr. Haughey raised the question of penal rates at last meeting, and may well be seeking concession. Continued to

suspend interest until March 1977. Interest is paid as promised, and if paid we can consider taking interest back into profits then". Then a proposed rate on the working account and the loan account is set out.

The next document is a communication to Mr. Michael Phelan, the Manager of Dame Street, dated the 5th of January, of 1977, from the Advances Manager. It refers to Mr. Haughey and it sets out the various balances as of the 21st of December, of 1976.

"With reference to our meeting with Mr. Haughey at the area office on 8th of December and his subsequent letter of 20th of September, the proposals put forward by him were considered by the Dublin Local Board on the 23rd of December. The undermentioned accommodation has been sanctioned on the strict understanding that the following conditions are adhered to.

- (1) That interest is provided for in full for each half year, commencing March 1977.
- (2) That the limits are not to be exceeded under any circumstances and that the timescale proposed for repayment is to be adhered to.
- (3) The bank is given a first charge on the additional nine acres at Abbeville now being purchased.

Accordingly, the advance may proceed as follows;

Amount (1) €50,000 on working account,

(2) 300,000 on loan account.

Repayment. At the pleasure of the Board. Entire indebtedness to be cleared by the end of 1978. In this connection it was noted during the course of this year Mr. Haughey intends to initiate measures towards the disposal of a sufficient portion of the Abbeville lands with a view to providing funds to clear the bank facilities and we should be obliged on a progress report on his endeavors in six months time".

Then it deals with the interest rates and also with the security and continues on the next page.

"As mentioned in our telephone conversation this afternoon the proposal took place

MR. SHERIDAN: Sorry, since the question of forbearance of interest is of relevance, I think it would also be relevant to read the rates.

CHAIRMAN: Very good.

MR. COUGHLAN: Certainly.

"Interest rates. Working account - A one-third year rate representing 16 and 3 quarters percent varying. Loan account - œ200,000 at double A loan account rate, presently 16 percent per annum varying. œ100,000 at 18 and 3 quarters percent per annum varying".

And then there is something in manuscript, "A loan account rate I am not sure.

"As mentioned in our telephone conversation of this afternoon the above proposals were placed before the Board on the basis that interest would continue to be suspended until March 1977. Interest is paid as promised, and if paid consideration can then be given to taking the previous interest rates back into profit.

A further aspect is the amalgamation of all the various accounts. As discussed it is felt that it might be more appropriate to leave the accounts out stand in their present form until such time as the Northern Bank Finance Corporation loan has been repaid and that this bank is the holder of the first charge on the Abbeville property. If necessary you can liaise with our Group law agent in this matter.

In conveying the terms of sanction to your customer we should be obliged if you would ascertain the closing date for the sale of the Rath Stud property and advise this office in due course.

Needless to remark, the above limits have been sanctioned as outside figures not to be exceeded, and this should be clearly conveyed to Mr. Haughey in writing; and in addition we feel it would be appropriate for Mr. Haughey to formally acknowledge your letter accepting the terms of sanction.

It is hoped that security matters will be finalised at an earlier date and we should be glad of a progress report in this regard within the next month or so. As requested a copy of our note of our last meeting with Mr. Haughey at the area office on the 8th of December and the summary of the proposals placed before the Local Board are enclosed for your file".

The next document appears to be a summary of the material which I have already read out, unless Mr. Haughey's counsel or the bank wish it to be read out at this stage?

The next document, unless it is a document that the bank specifically want read out, I don't think I don't think it need be.

The next document is a portion of a memorandum dated the 5th of April, of 1977, and it is, it sets out the state of the debt and the total interest suspended at that stage.

And it says;

"With reference to your memorandum addressed to Mr. Coyne the Advances Manager With reference to your memorandum of the 16th ultimo we advise that we have had an interview with Mr. Haughey on the 25th ultimo when his total indebtedness was œ400,539. The operating accounts being the No. 3 account and the Rath Stud working account which stood debit at œ54,517 and œ88,680 respectively at that time. The two main points discussed were (A), that he

exceeded the outside limit of £350,000 sanctioned in January, and (B), that he had not honoured his promise to provide for the half yearly interest charges at March 1977.

When the facilities sanctioned last January was being arranged he stated the figure of £350,000 would be adequate, but subsequently he contended he miscalculated and that he would require an additional £50,000 pending the sale of bloodstock in September, October 1977.

At that time we had refused to submit an application on the basis that £350,000 was an outside limit. At the interview it became clear that he was unable to bring the accounts within the overall limit of £350,000, but he did give his firm undertaking that apart from the cheques which were at the time outstanding he would not draw further on us.

The outstanding cheques referred to would increase the No. 3 account to £55,738 debit and the Rath Stud working account to £90,041 debit, bringing the total indebtedness to £403,120. It was made clear to him that if he failed to honour his undertaking we would be forced to dishonour his cheques.

It is our firm intention to keep him to this promise, and your confirmation that it will be in order for us to take this course is requested. As to where the funds to meet

the interest payment and as to why this payment was not met, the client informed us that he expected income from the bloodstock would provide this money but it now transpires there will be no bloodstock sale before September, October."

There is then a letter to Mr. Phelan from the Advances Manager, dated 7th of April, of 1977. "We wish to acknowledge receipt of your memorandum in this case from which it is most disappointing to note the indebtedness has increased substantially over the limit sanctioned by the Board of December last, and the interest payment for March 1977 confidently promised has not now materialised.

There can, of course, be no question of increasing the limits beyond £350,000, and accordingly it must be clearly pointed out to Mr. Haughey that the advances to be brought back to within these limits at the earliest possible date and the security matters finalised within the immediate future.

On the basis that Mr. Haughey has given a clear indication to you of the amount of cheques issued but not yet presented, we will agree to allow matters to run on for the present, bearing in mind his firm promise that he will not draw on you further.

In this connection we are wondering has he given any indication that he would hand in his cheque books?

Should the occasion arise whereby further cheques drawn on you without prior arrangement have to be deferred no doubt you will contact the area office".

The next document is a memorandum which relates to security and it is a letter to Mr., the Manager of Dame Street, from Mr. Cagney the Securities Manager, and he refers to the memorandum of the 8th inst..

"We wish to advise that the only land certificates which the bank now hold are in relation to folio 17735 County Dublin, which folio is registered in the names of the above customers as tenants in common.

The bank has a first charge over the lands comprised in this folio, and the increased stamping of the bank charge i.e. to €350,000 is presently being noted on the relative folio in the Land Registry.

We have requested the legal department to write to the Land Registry consenting to the use of the bank's charge in this case by Messrs. TV Grant & Company, solicitors.

However, we do not understand why the present situation arises, as we assume that both the bank's charge and the Northern Bank Finance Corporations' charge has long since been discharged from folio 2646, 2644 County Meath. This aspect of the case having been dealt with by Messrs. John S O'Connor & Company Solicitors.

We would also point out the bank has endeavoured to facilitate the various solicitors involved as much as possible, and as this matter seems to be very long drawn out".

The next document is a letter or memorandum from Mr. O'Donnell, the Advances Manager, to Mr. Michael Phelan, the Manager of Allied Irish Banks, Dame Street, dated 14th of June, of 1978.

At that stage the accounts are indebted to 580,960 and total suspense of interest of 135,678, leaving a total balance of

"We wish to draw attention to the position currently obtaining on the account above.

It is totally unacceptable and a matter of concern to the bank that indebtedness to the extent quoted now outstands, and the point has been reached when a full report to the Board is necessary. We accept that due to the change in the political climate in the past year it has not been possible for to you tackle the situation as you or the bank would wish, but whatever about the forbearance shown up to this, it is imperative that Mr. Haughey now be interviewed with a view to obtaining his realistic proposals for dealing with this large and unwieldy debt

CHAIRMAN: That was opened

MR. COUGHLAN: It was sir.

I now move to the final document in this tab, which is a memorandum dated 1st of December, of 1978, and it seems to be reference MP, Mr. Phelan.

"By appointment arranged at my request met CJH today at Department of Social Welfare. Handed him a memorandum setting out the position on his various accounts, which memo highlighted the heavy drawings on Abbeville stud account. This was the only account operating for various periods between September 75 and November 1978. Explained that I was under considerable pressure to make a report to my head office on the situation, and in particular the continuing heavy drawings on the Abbeville stud account and the fact that there were no lodgements to this account, despite the fact that as we were aware he had sold bloodstock to the value of approximately œ40,000 at the recent Goff's sales.

He admitted he had been using the Abbeville stud account for living expenses. This contradicted a previous statement he had made to me to this effect that the drawings from the Abbeville were connected only with the stud and that he was operating his personal expenses on a cash basis.

As to the proceeds of the sale of the bloodstock, œ40,000, he said he still had those funds and intimated that he was

intending to use them towards reduction of his indebtedness here. That he still had those funds and had those funds and intimated that he was intending to use them towards reduction of his indebtedness here.

He asked two direct questions, (1), what would the bank regard as a suitable reduction in his debt? (2), could I ascertain what kind of figure the bank would have in mind as a mitigation of the interest charged on his borrowings?

In reply I informed Mr. H that rather than the bank indicating what would be regarded as a suitable reduction of the debt it would be more appropriate that he should put forward his proposals for dealing with the overall situation, and that in this regard the proposal should be realistic rather than thinking up proposals because they would be accepted by the bank and ignoring the fact that they might be not possible of achievement.

On the question of mitigation of interest, I informed him I felt it would be a waste of time asking the bank to even consider a figure before acceptable proposals for dealing with the debt had been put forward. Mr. H undertook to give the matter full consideration and that he would contact me within a week for further discussion. I indicated it might be of considerable help if he would agree to let me have a list of his assets and liabilities, and he undertook to do this".

I am now, sir, turning to Tab 8 of the book of documents, and the first letter is one which I have already opened. Now, the documents in this tab, sir, are in the book, not in chronological order and in compliance with your wishes I would attempt to deal with them now in chronological order as best I can.

The documents are numbered in the bottom right-hand corner but not in sequence, so I, first of all I intend to refer to Tab 8, number 218. This is a memorandum of Mr. Michael Phelan, dated 19th of February, of 1979. It is headed "CJH".

"By appointment arranged at his request met CJH this morning at the Department of Social Welfare. At the outset he again referred to the high interest charges on the account, and that he would like to know what kind of concession would be granted by the bank.

I referred to my previous reply to his similar question, that it would be a waste of time asking the bank to state a figure in the absence of a concrete proposal for dealing with the debt, but I did state that the existing interest charge for the period from September 1976 up to September 1978 at £196,000 included a sur charge of approximately £40,000, that I would be confident of a favourable reaction to scrubbing that amount, but whether the bank would go any further or not would be difficult to say.

His immediate proposal towards reducing the debt would be in an amount of €200,000, and to my inquiry as to the source of this sum he said that he would trim off a portion of Abbeville, a portion up near Feltrim Quarries, and seemed to be indicating that a sale of 10 acres would realise a quarter of a million pounds. At this stage he waffled a bit about a recent sale of a field across the road from Abbeville at a very high price, and also about the recent sales of building sights in Malahide at sums of €25,000 per site.

Apart altogether from any monies from the sale of lands, he told me that from a development in Baldoyle which was now coming to fruition there would be a sum of €200,000 coming to him. He expected this amount to be available in a month at the outside, and from the conversation it looks as if this is the reduction he intends to make in his debt here. The tax implications of this €200,000 was according to him a question that needed some consideration.

The client stated at this stage that he was anxious to get the debt here down to manageable proportions on which he would be able to meet the annual interest from his income. He had he said now got the bloodstock and farm operations to yield a combined annual income of €30,000 approximately, which he said "would allow him to live in the manner to which he had become accustomed", and accordingly there should be no need for any further

drawings on the stud account. He admitted that if he had the debt down to manageable proportions on which he could pay the interest, that he would hope to allow the debt to continue for an indefinite period and be cleared eventually from sale of further portion of Abbeville.

I pointed out that a ¢200,000 reduction in the existing debt, even taking only the capital sum, ignoring the ¢196,000 interest, would leave a capital sum of approximately 360 to ¢370,000 outstanding which would incur an interest charge well beyond his capacity to meet.

He admitted this to be so and said he would have to give the matter further consideration. He suggested that we would have a further meeting about a week hence and asked in the interim that I would investigate the question of the interest. I promised to do so but that I was extremely doubtful that I would have any answer for him on that point.

When leaving I mentioned to Mr. H that there was a possibility that somebody from head office might wish to interview him".

The next document is Tab 8, number 91, and it is a document dated the 20th of June, 79. It is a handwritten document.

The manuscript reads; "Haughey, Tuesday instead of Monday,

not going as well. Can provide €400,000 cash and wipe out the lot before end of year, plus €10,000 last six months.

Asked to put it I think informally I will leave that for the moment informally, not going on paper.

Total debt €867,000, suspense €281,000, going back to him tomorrow morning. Two sources, one Baldoyle? Not disclosed. There is a date, 20th of the 6th, 79.

Gallagher won't be necessary now. 10 million pounds Middle East (Iraq) mentioned. Recent offer at below market rate on deposit, but CB knocked it without having details. End of year crucial in politics, trying to discount sorry crucial in politics, trying to discount (1) value of deposit, (2) potential of leadership"

There is also from the files furnished by Allied Irish Banks what appears to be this card or compliment slip, it is Rafidain Bank Building, 7/10 Leadenhall Street, London. F Shukri, Manager, and on the back (S-H-U-K-R-I) on the back. There is the map of the location.

From information available to the Tribunal it would appear that that is an Iraqi bank.

The next documents to be referred to at Tab 8, numbers 62 to 64

CHAIRMAN: There is some further handwriting in the immediate sequence that's not far from the note that you have just dealt with it may well be of no relevance

yes.

MR. COUGHLAN: No sir. Sorry.

62 - 64. It is a memorandum dated 17th of July, of 1979.

It is from the branch of Dame Street to Mr. O'Donnell, the Advances Manager and it is re: C. J. Haughey Esquire.

"We attach hereto list of balances of the above client's accounts as at 13th of July.

Despite several meetings with this client, both before and subsequent to our discussions on the 23rd of February, I regret to advise that I cannot report any positive progress. I met him again yesterday morning, Monday the 16th. Notwithstanding my advice to the contrary he appears set on making a formal offer to the bank of €400,000 in full settlement.

This money is to come from unspecified deals expected to materialise before the end of the year, but appearing to be dependant on certain tax problems being resolved. When I referred to the Gallagher deal which he previously stated he would consider and asked if he missed this totally he replied "no, but he would like to keep this as a stand-by". It is my belief he has not taken any positive steps to progress this suggestion.

All in all it is my considered opinion that this client does not believe the bank will force a confrontation with

him because of his position. I feel that until his view in this regard is changed no progress will be made.

Despite various promises to the contrary drawings have continued on the accounts as is shown from the attached figures.

His reply yesterday to my query on the continuing drawings was that these should now be a this should now be minimal, but from past experience I could place little credence in this statement.

Accordingly, I am now recommending that the bank should take firm measures to bring this client to a sense of his responsibilities, and as a first step in this direction I propose with your approval to send him a registered letter on the lines of the enclosed draft. I fully appreciate that this action may have serious adverse repercussions for the bank." It is signed by the Manager and written at the bottom sorry written on the bottom; "Area General Manager instructed that proposed letter not be sent, get CJH to go after a Gallagher deal".

Then on page 64 is the draft letter which the Manager was proposing at that stage. "Dear blank, I am instructed by my Board to inform you of the bank's grave disappointment and concern that despite various discussions with you over a considerable period no acceptable proposals for dealing with your large indebtedness has emerged.

I am further instructed to inform you that unless the bank is satisfied within two months from this date that realistic measures are being taken by you, it will be left with no option but to consider the steps open to it to resolve the situation.

I have been given strict instructions to limit further drawings on your account to a figure of £5,000 above the existing balance of blank, that is to say blank in all.

Therefore, if cheques are presented, which if paid would have the effect of increasing the balance beyond the figure of blank pounds, they will be returned unpaid, without reference to you. I enclose an up-to-date statement of your account" .

And I think on page 60 is the it is just the up-to-date statement in relation to the account, up to July of 1979.

That shows that as of July 1979 there is suspense interest of £281,110 pounds, and debit on the account is £887,966.

Total indebtedness of over one million pounds.

Pages 49 and 50, I only wish 50 be put up at this stage, deal with a memorandum of contacts with Mr. Haughey over the years, and if I could put page 50 up? Where you see there in June of, 19th of June, of 1979, CJH, sorry, 19th of June; "Bank Manager met CJH at Leinster House, Manager suggested that a cash offer of £767,000 might be acceptable. Gallagher deal idea to be considered with advisers.

20th of June, 1979 - CJH offered œ400,000 in full and final settlement before end of year. Bank Manager said he would not put this in writing to head office because of likely reaction. Bank Manager gave no hope of acceptance, possibility of the bank being offered a 10 million pound Middle East deposit was mentioned, no enthusiasm shown".

Then go on to July of 1979, meeting at Aras Mhic Dhiarmada.

"CJH now prepared to put œ400,000 in writing as a formal offer, despite Manager's advice of Bank's unfavourable reaction. Funds to come from unspecified land deals, tax problems to be resolved, Gallagher deal not dismissed by CJH but Bank Manager's view is that he hasn't done much, if anything about it".

Then the 23rd of July. "Bank Manager reported lack of progress in writing, and sought directions regarding stiff letter to CJH with threat to return cheques. Such a letter is not to be sent yet and Assistant General Manager instructed that Bank Manager to request CJH to pursue Gallagher deal".

There is, pages 47 and 48 of Tab 8 is the report of the up-to-date position as of the 23rd of August, of 1979.

And it shows the state of the accountings and the suspense interest. It shows various drawings and that no

lodgements were made to any of these accounts, further interest amounting to a €100,000 approximately will be charged to the account on the 15th of September next, and then taken into suspense, the rate is an A loan, 6% surcharge, currently 26 percent per annum. So it is a plus 6% surcharge. The securities are set out, which is the first charge on Abbeville which is a value of 1.3 million without planning permission with stamped to €350,000 to be increased to cover full amount of debt.

Then the letter of guarantee from Mrs. Maureen Haughey, €350,000 to be increased to cover full amount of debt.

Then the other securities seem to be as they were previously, in the proposals in relation to them.

Turning to the next page of this report it says; "This account was last before the Board in December of 1976 when limits totaling €350,000 were approved; €50,000 working account and €300,000 loan account. Debt at this stage, €341,000. Accounts were never structured as stipulated. Drawings have continued unabated with no serious effort having been made by Mr. Haughey to honour his written undertaking to clear the indebtedness in full by December 1978 from sale of portions of land at Abbeville.

Since last Board consideration Mr. Haughey's political career has changed dramatically, rendering it extremely difficult for the Manager of Dame Street to even interview the customer, despite many appointments made and broken.

Area office has been in constant contact with the branch to have matters brought to order, and eventually in February last Mr. Haughey appeared anxious to get debt down to manageable proportions, vague hints about possible land sales and deals by the end of the year leaving a residual debt of 300 to œ400,000 for an indefinite period were made, but a negative response was given to Mr. Haughey following a meeting of Area General Manager, Central and Area Advance Controllers and Branch Manager.

At that point it was agreed to leave matters with Branch Manager to further pursue Mr. Haughey.

Various suggestions have been put to Mr. Haughey as to how he might redress present unacceptable situation. He appears to now reject the outright sale of land due to the publicity involved, he is paranoid about this, but a possible arrangement with the member of the Gallagher family whereby land might be parked in a new vehicle with Mr. Haughey and a Gallagher as shareholders and held under a declaration of trust, thereby avoiding publicity was seen by Mr. Haughey to have some merit, but efforts to get him to go into detail on this with his advisers have so far failed.

Our law agent has been approached by the area office on this type of arrangement and has been advised that it could be on. The assistance of AIIB would also be available.

Area office has also ascertained that an insurance company, Friends Provident, has funds available for satisfactory sale lease back of land deals, but again publicity is the fear.

The most recent move by Mr. Haughey, July last, was to offer €400,000 in full settlement of his debt. This offer was rejected out of hand, but he came back to Branch Manager to say he wanted this considered seriously.

Mr. Haughey fails to see the precarious position he is in and obviously feels that his political influence will outweigh any other consideration by the bank. As the point has now been reached where the account appears to be out of control, consideration must be given to the taking of a firm stand by the bank. If this is not done it seems inevitable that drawings will continue at the present rate of €12,000 per month approximately, in spite of several assurances which he has given that drawings should now be minimal. Towards this end it may be considered necessary to

(1) Refuse to issue further cheque books to Haughey Boland, accountants, who operate working account on Mr. Haughey's behalf, two partner signing.

(2) Refuse to permit any further increase in the indebtedness after due warning in the absence of the

submission of positive proposals acceptable to the bank for clearance of the account" .

I think Tab 8, page number 227 is the next document, sir.

It is a memorandum of a meeting between the Branch Manager and Mr. Haughey at Aras Mhic Dhiarmada on the 6th of September, 1979.

It reads "(1) Mr. Haughey appeared much more anxious than previously to get to grips with his affairs.

(2) Mr. Haughey was in Gallagher Company on the 5th of September and is aware that money and inclination is very much there to acquire land.

(3) Gave Manager permission to discuss his entire situation with Des Traynor of Guinness Mahon. Mr. Traynor is out of the country until Monday next but immediate contact will then be made. Object of talks with Traynor will be to draw up a scheme to enable realisation of part of Abbeville to P Gallagher, Gallagher Group to be effected. Mr. Haughey is now positively prepared to acquiesce in a plan which will avoid publicity. Group law agent will be involved when necessary. We are aware that apart from P Gallagher, James Gallagher Abbey Group is also interested in acquiring land. AIIB would be involved in negotiations.

(4) On question of drawings, Mr. Haughey stated incredibly that he was amazed at developments on the account since June last, over €30,000 drawn, and said that proper

restraint had not been exercised on expenditure. Manager said he was seriously embarrassed by Mr. Haughey's non-fulfillment of his undertaking to virtually cease drawings and it could well be that the cheque book just issued would well be the last. Mr. Haughey sought permission to issue cheques only to pay the work men at Abbeville, amount per week will be advised advised to Manager.

(5) Queried as to why a lodgement is never made to the account he admitted he that he "snaffled" virtually all stud income himself, he denied that he had any other bank account and dealt entirely in cash.

Telephone the 7th of the 9th, 1979.

Mr. Haughey phoned Branch Manager. He stated categorically that he wants to handle this dangerous situation once and for all. As of now 15,000 approximately in cheques issued or are about to be issued. Any drawings necessary after payment of these cheques other than for wages \approx 300 per week, will be discussed with Branch Manager prior to issue. Manager's understanding is that such drawings will be quite exceptional.

Recommendation: In order to ensure that the promise now given categorically by Mr. Haughey are implemented, we would propose the following, subject to Mr. Haughey's approval.

(1) Ruling of Rath Stud working account and opening of a

wages accounts which can be controlled.

(2) Prior notice to be given regarding issue of any cheques other than wages which will run at €300 per week.

(3) In discussions with Mr. Traynor we would propose the sale of 150 acres, approximate value 1.5 million, to accompany with Gallagher involvement which would leave Abbeville and one hundred acres in Mr. and Mrs. Haughey's name. Full proceeds of sale to go on reduction of debt and then possible compromise to clear account from books.

(4) We would not propose pressing for an increased guarantee of Mrs. Haughey at this stage because of possible delay in continuing progress.

(5) If Mr. Haughey is not sincere we will have little option but to withdraw his cheque book".

This is stamped and it is noted and approved by the Local Board.

The next document is Tab 8, 228. It is the next document in the book of documents. This is a memorandum, dated the 11th of September, and it is Mr. Phelan's memorandum of the meeting of the 6th of September at Aras Mhic Dhiarmada.

"Put to Mr. H that there were two problems, (A) the continuing drawings on accounts and (B) necessity for proposals for dealing with indebtedness.

(A) Despite his assurance on the 16th of July that drawings from then on would be minimal, there have been drawings of

31,776 between the 16th of July and the 5th of September.

Told him that this had led to a near crisis during the previous week when I was under severe pressure to withhold issue of cheque book requested by Haughey Boland and Company. He seemed very surprised by the high figure on the drawings and implied Abbeville had gone mad buying unnecessarily and it obviously needed controlling.

Promised control would be applied to stop this and asked if I could agree to continue to pay wages and that there could be some cheques already issued or requiring to be issued.

Without agreeing I asked what these amounts would be. He said he would let me know.

(B) On question of proposals: Made a point that (A) with interest added at 15th September debt would be in excess of one million pounds and that people high up in the bank were showing signs of grave concern at a situation which could explode in all our faces.

(B) In our view the only way he could deal with debt was by realising at least part of Abbeville. Bank appreciated his unwillingness to dispose of Abbeville because of likely publicity, asked if a scheme were to be put together ensuring no publicity, would he now go ahead? Said I felt up to now he had given it serious consideration, answered yes, definitely and that I should contact DJT to discuss the proposed scheme.

This broadly speaking would mean the formation of a company

into which Patrick G would put cash to enable the company to purchase part of Abbeville. CJ would own part of the equity. He said he wouldn't mind even if shares were in the name of the children so he would not lose all of the probable capital appreciation of the property. This, according to CJH, could be a particularly appropriate time to go ahead with this scheme since a conversation he had with Patrick only a previous night, he (PG) was flush with cash with which he was thinking of buying land to hold.

The arrangement, the arrangement now is that when the bones of the scheme can be worked out and conveyed to CJ he will approach PG.

Friday the 7th of September CJ phoned to say wages cheques would be €300 per week and that cheques issued or requiring to be issued would be €15,000. Apart from these cheques no others would be issued without prior arrangement" .

The Abbeville working account, as the manuscript shows, was overdrawn at this stage, 373,965 not sure whether it is 45 or 65.

Going to the next page in the book, which is 230 at Tab 8. It is a memorandum dated the 11th of September from Mr. O'Donnell, the Advances Manager to Michael Phelan, the Manager of the branch; C. J. Haughey.

"We refer to recent developments in this case culminating in our telephone discussion of 10th inst wherein we advised

directors had approved of certain measures aimed at bringing about positive progress on this complex account.

A copy of the paper which was placed before the Board is attached herewith, and will form the basis of an early meeting at your branch between the writer and yourself when the manner of the implementation of the recommendations will be gone into in full".

I think the next document in chronological order is 233.

It appears to be a memorandum of Mr. Phelan's, of a telephone conversation. "CJH phoned dated 28th of September, of 1979. It appears to read; "Monday, would have figures on Monday. Borrowing abroad - G Colley. CJH phoned 12:10. It seems to be 3rd of the 10th, 79. Iraqi money. List of outstanding cheques, Neill C calling to CJH" .

From information available to the Tribunal it would appear the reference to Neill C is Mr. Neill Crowley, the then Chairman of the bank.

The next document is 234. Again it is, it appears to be an attendance of a telephone conversation it seems to be dated the 10th of October, of 79. Something crossed out.

"I sought Patrick G on Saturday last, says o.k." Then under that, "12th of the 10th, 79, called to CJH, 12:00 o'clock" .

The next document in date order is 231, and it is a memorandum of Mr. Phelan's, dated the 17th of October, of 1979.

"Mr. Haughey telephoned on the 13th of September to say that he could at the present time arrange a substantial reduction on his borrowings, in fact he could, he felt, safely go to a figure of €500,000. However, since his aim was to clear up the whole situation at present he was anxious to know what would be the target figure he should be aiming at, or in other words what figure would be the bank accept in full settlement? My reply was that I doubted if I could obtain a figure as I could not see anybody making a decision until there was cash on the table. However, I would investigate and see what I could do.

I had not done anything seeking a settlement figure but when Mr. Kennedy and Mr. O'Donnell visited here on the 17th of September I discussed the situation with them, and it was decided that the best approach would be rather than mentioning a figure that the bank would accept in settlement, because this figure would then be brought up at a later date, it would be better to give an indication that the bank would possibly allow a reduction of €150,000 in the amount outstanding on the day of settlement.

I did not mention this to Mr. H in any of our subsequent discussions.

On the 18th of September Mr. Des Traynor called here to discuss CJH's debt. Outlined briefly the scheme we had in mind for dealing with the debt. He agreed fully that there was only one way to deal with the matter and that was to clear the debt totally. The scheme mentioned did not seem a great surprise to him as obviously he had been thinking along the same lines, but whereas our scheme envisaged that all the money would be put up by PG. He had at least two other people in mind who would also contribute. He expressed the view that the legal technicalities would be solved fairly readily.

There were two aspects that he had to consider before involving solicitors, these two aspects were (1), whether CJ was absolutely serious in wanting to go ahead with this new scheme, and (2), he would have to look at the long-term implications for the three people he had in mind who would be putting up the money, particularly in regard to their tax implications. He knew that they had this cash available but since he would be advising these people he could not just walk them into something for the sake of solving CJ's problem.

He undertook to discuss the whole position with Mr. H on the following Saturday. And unless I heard from him within a day or two after that I could take it that Mr. H had given the go-ahead, and he would then consider all

aspects of the scheme which he thought would make, take about three weeks following which he would contact me again.

In discussing the amount of the debt I mentioned Mr. H's request for a settlement figure. Mr. Traynor said he fully understood how difficult it would be to get such a figure in the absence of cash on the table but I did convey my personal opinion that a reduction of €150,000 might be achieved. I emphasised, of course, I could not give any firm commitment on behalf of the bank for this figure but I was confident it was achievable".

The next document is number 166 in Tab 8. It is a letter from Mr. Phelan dated the 11th of December, of 1979, An Taoiseach, Mr. Charles J. Haughey, Abbeville

MR. SHERIDAN: My apologies, I just wonder what the relevance of that particular letter is?

MR. MCGONIGAL: The relevance, Mr. Chairman, is that it acknowledges the time when Mr. Haughey became Taoiseach.

CHAIRMAN: I think, we will have it. Yes.

MR. COUGHLAN: "Dear Mr. Haughey, it gives me great pleasure to convey to you our warmest congratulations on your election to the highest offices of leader of Fianna Fail and Taoiseach and to offer you my sincere good wishes for success in both.

To say the task you have taken on is daunting is an understatement, but I have every faith in your ability to succeed in restoring confidence in this great little nation.

With renewed congratulations and kind regards, your sincerely Michael Phelan".

The next document is 299. This is a memorandum made by Mr. O'Kennedy, the Regional Manager, and it relates to a meeting on the 17th of December, of 1979.

"I met with Mr. Des Traynor of Guinness Mahon in Dame Street branch with Mr. Phelan, Manager. The purpose of the meeting was to endeavour to make some progress towards obtaining realistic proposals for clearance of Mr.

Haughey's large and unwieldy debts. At the outset Mr. Traynor made it clear for political reasons the proposals up to recently being pursued were now completely out of the question as the parties concerned would have neither hand, act or part in these for fear of "good names" being dragged through the Dail. Guinness Mahon were prepared to advance a maximum of €600,000 against the first charge on Abbeville, that this would be available only on the basis that the sum would be accepted in full and final settlement of the entire debt currently standing with interest to date at 1.143 million.

I told Mr. Traynor that such a proposal was entirely out of

the question and that the bank had reached the end of its patience, that on the grounds of potential embarrassment alone it was essential that realistic proposals for dealing with the debt be in our hands for submission to the main Board at their February meeting.

Mr. Traynor remained completely unmoved by these arguments and said there were no rabbits to be pulled out of a hat or blood to be got out of turnips. He made it quite clear that as far as he was he made it clear that as far as he saw it our options were either to take €600,000 on offer or leave the debt outstanding indefinitely.

At this stage I intimated that if the debt were reduced to €200,000, were reduced to €200,000 he could take it that we would write off the balance and that that was as far as the bank would go, bearing in mind that questions would be asked by our auditors and would have to be answered.

The meeting concluded on the basis that Mr. Traynor will consider our views, convey our views to Mr. Haughey on either Thursday or Friday of this week and report back to Mr. Phelan. He was far from optimistic about Mr. Haughey's reaction".

Then at the bottom there is a note dated 28th of December, of 1979. "Manager rang to say Mr. Traynor had contacted him by phone and arranged to have a further chat with him on January, 2nd, 1980".

The next document is Tab 8, number 192. Sorry, sir, before I proceed to number 192, perhaps I should have gone back to where I was, and it is number 318. It is the document immediately after the memorandum of Mr. O'Kennedy.

It seems to be a note, and it is Mr. Crowley, 8th of January. "Mr. Traynor of Guinness and Mahon phoned. He said you should like what it is about. He can be contacted today only at 716944, away from tomorrow all week. Joan". And from information supplied to the Tribunal it would seem that that was Mr. Crowley's secretary and she is now deceased.

And handwritten on it, "Paddy, would you take this up for me?". Can't make out the signature.

Number 192, this appears to be a file note, it seems to be, relates to a meeting with Mr. Paddy O'Keefe in bank centre with JDT, and it reads, it is dated the 18th of 1st, 80.

"DT 4:10 p.m., Tuesday 8:30 with POK in Bank Centre.

Wednesday CJ rang me. DT seeing CJ weekend. DT seeing POK Thursday to sort out details, 600,000 600,000 I presume that is gone to Bank Centre today from GM. CJ does not know account is to be closed". It is dated the 22nd that note seems to be then dated the 22nd of the 1st, 80 sorry, there is another note underneath,

perhaps we could yes.

"11:15 am - spoke to DT by phone. He spoke to CJH at weekend and told him no further cheque of any kind should be drawn on AIB Dame Street, that he should at once make other banking arrangements for farm account which should probably be in Eimer's name, and for personal account CJ understood and fully accepted situation, and there is no animosity on his part. DT is seeing POK on Thursday the 24th".

The next document in date order appears to be 328, and it is a letter dated the 18th of January, of 1980. It is from Guinness and Mahon. It is marked "Personal". It is addressed to Patrick O'Keefe Esquire, Chief Executive Allied Irish Bank, Bank Centre, Ballsbridge, Dublin 4.

"Dear Mr. O'Keefe, our secretaries have arranged an appointment for 3 p.m. at your office on Thursday the 24th. I am, however, conscious of the fact that when speaking to you on Tuesday last that I did undertake that I would let you have €600,000 within the week, and I am accordingly enclosing herewith a draft for this amount.

We can settle the details on Thursday. Your sincerely J D Traynor".

There is a manuscript then which says "cheque lodged to manager's something account" special account perhaps. And we can't make out the balance at the

moment.

There is a 329, it is a letter again marked "Personal" from Allied Irish Banks to Mr. Traynor, at Guinness and Mahon.

"Dear Mr. Traynor, thank you for sending on cheque €600,000 as part of the agreed procedure. I look forward to our meeting here at 3 p.m. on 24 inst. when we can finalise matters". It is signed "Your sincerely POK, Banking Director".

The next document in the book at Tab 8 in date sequence is in 826. This appears to be the settlement letter, and it is Allied Irish Banks, Bank Centre, Ballsbridge, C. J. Haughey Esquire, Abbeville, Kinsealy. Dated 24th of January, 1980.

"I refer to discussions recently had here with Mr. Traynor from which certain proposals have emerged for the discharge on the indebtedness on all your accounts with the bank.

The proposals briefly stated are as follows:

(1) The debit balance on the account was agreed at €860,001.17 to be permanently reduced to €110,000 by mid February 1980.

(2) The remaining balance of the indebtedness, namely €110,000 to be liquidated within a reasonable period of time by the introduction of funds arising from the disposal of any part of the property and lands known as Abbeville.

It being understood that not less than 10 percent of the proceeds of such disposals will be so introduced.

(3) As soon as the indebtedness has been permanently reduced to €110,000 as set out at (1) above, the bank will release its charge on the residence and 248 acres known as Abbeville and hand the title documents relating there to Mr. JD Traynor. At the same time the associated letter of guarantee for €350,000 will be cancelled.

The remaining items of security comprising in the main the deeds of Inishvickillaun; the deeds of a house and 13 acres in County Sligo; and a life policy for €1,000 will be held by the bank as security pending liquidation of the remaining indebtedness of €110,000.

It is to be further understood as part of the above arrangements the remaining debit balance of €110,000 will out stand free of interest in the head office ledgers of the bank at Bank Centre, Ballsbridge, Dublin, with no transactions save for reduction in clearance.

You will appreciate that the implementation of arrangements of this nature would in the normal course give rise to certain legal requirements, however since the fulfillment of the agreement outlined is a matter of honour I am dispensing with such formalities confident in the knowledge that you will ensure beyond any doubt that the €110,000 will be cleared within a reasonable time.

As part of the arrangement referred to at (1) above, a lodgement of €600,000 was received by me on the 21st of

January, of 1980, and is hereby formally acknowledged.

I am sending this letter to you in duplicate, and I shall be obliged if you will kindly initial one copy and return to me in the enclosed addressed envelope. This will signify your acceptance of the agreement set out in this letter, and it be also be taken as specific authority to release security as appropriate. Yours sincerely P O'Keefe, Patrick O'Keefe, Deputy Chief Executive", and it is accepted and signed Charles J. Haughey at the bottom.

The next document is a letter from Guinness and Mahon, dated the 31st of January, of 1980. It is a letter from Guinness and Mahon, Mr. Traynor addressed to Mr. O'Keefe at Allied Irish Banks, and he is enclosing a draft in the sum of €100,000.

And then 320 is the acknowledgment of the receipt of that cheque by Mr. O'Keefe, by letter dated the 1st of February, of 1980.

322 then is another letter from Guinness and Mahon from Mr. Traynor to Mr. O'Keefe and Allied Irish Banks, dated 14th of February, of 1980, and he is enclosing a draft in the sum of €50,000 being the final amount as agreed.

If I might now move to Folder 11, or Tab 11. This is difficult to show, but it is an extract from the Evening Press, Friday, January 28th, 1983, page 7.

It reads "By a special correspondent. The financial affairs of Charles Haughey have been the source of intense public speculation. I think sir I don't need to read out the whole of the article, what is significant is that it raises the question of an indebtedness to Allied Irish Banks, so I will read it insofar as it pertains to that for the moment.

"The financial affairs of Charles Haughey have been a source of intense public speculation since the first day he came into politics. The suggestion that the bugged conversation between Ray McSharry and Martin O'Donoghue referred to possible financial problems for Mr. Haughey should he lose the leadership comes as no surprise.

However, a close associate of Mr. Haughey said that a former Fianna Fail Minister who fancied himself as a possible compromise candidate has been traced as the source of the rumours and he was now lying low.

It has been rumoured in discrete financial circles for years that Mr. Haughey owed one million pounds to a major bank, and that the bank had held its hand because of his elevated political position.

Interest rates have been very high for the past few years and this correspondent can confirm that sources close to Allied Irish Banks insists that he owed them around this sum last year"

I think that's all I need open from the newspaper article, sir, at the moment.

This is an extract from the Evening Press, Tuesday, February the 1st, 1983, page three. "Allied Irish Banks has issued the following statement through its Group Public Relations Office at Bank Centre; "Allied Irish Banks has a strict policy and indeed a duty to maintain confidentiality in regard to customers dealings with the Group and each member of our staff completes a formal declaration in that regard. When as occasionally happens statements are made by third parties which appear to be authoritative but are not it can also be the case that a denial by the bank might itself be a breach of its duty of confidentiality, and generally the bank feels it best not to comment. Allied Irish Banks has found itself in this position on a few occasions recently.

However, in the Evening Press on January the 28th in an article by a special correspondent dealing with financial affairs of a well-known figure, it was stated that sources close to Allied Irish Banks insist that he owed them around one million pounds last year. This statement is so outlandishly inaccurate that Allied Irish Banks feel bound as a special matter to say so positively and authoritatively.

For the future Allied Irish Banks would hope its commitment

to the rule of confidentiality will be understood when it declines to respond to statements or suppositions put to it in the quest for information which it may not divulge".

Now, I think the final document I wish to refer to, sir, is at Tab 8, page 277. What it is, is that it appears to have been issued from Allied Irish Banks Public Relation Office, and it is for information, and it states that the following statement was issued by the bank to the Evening Press in January the 31st, and it appeared in the newspapers issued of February the 1st. And then the text of the statement as I have read out, as I say, appeared in that newspaper on February the 1st.

I would like to just, sir, at this stage formally prove the documents, and I think Mr. Sheridan from Allied Irish Banks can formally give evidence in this regard.

HAVING BEEN SWORN BYRAN SHERIDAN WAS EXAMINED AS FOLLOWS BY
MR. COUGHLAN:

A. Bryan Sheridan.

CHAIRMAN: Thank you, Mr. Sheridan. Please sit down.

Q. MR. COUGHLAN: Mr. Sheridan, I think you are a practicing solicitor and the law agent of Allied Irish Banks; is that right?

A. That's correct.

Q. In the course of the work of this Tribunal you were asked

to on behalf of the bank to furnish documents relating to the affairs of Mr. Charles Haughey; isn't that correct?

A. That's correct.

Q. And can you confirm that the documents which were opened before the Tribunal today come from the documents which you furnished in that regard to the Tribunal?

A. I can.

Q. Thank you. Now, and can I just also confirm that these documents were furnished on foot of an authorization from Mr. Haughey?

A. That is so, yes, and Mrs. Haughey.

Q. And Mrs. Haughey. Thank you Mr. Sheridan.

CHAIRMAN: Mr. Connolly, you don't wish to raise anything? Mr. McGonigal?

MR. MCGONIGAL: No questions.

CHAIRMAN: Obviously, Mr. Sheridan you can't question yourself. I understand there will be some Allied Irish Bank witnesses tomorrow, and obviously you will have an opportunity to take up any matters you wish to with them.

At this particular vantage point is there anything you would like to add to your evidence?

A. No, sir.

CHAIRMAN: Thank you very much for your attendance and cooperation.

THE WITNESS THEN WITHDREW

MR. COUGHLAN: I wonder, sir, in the circumstances might it be appropriate to rise at this stage?

CHAIRMAN: Unless you felt there is any very short witness in the way in those circumstances we will resume at 10:30 tomorrow morning.

MR. COUGHLAN: May it please you, sir.

THE HEARING THEN ADJOURNED TO THE 17TH FEBRUARY, 1999.