

THE TRIBUNAL RESUMED AS FOLLOWS ON MONDAY, 24TH JULY 2000

AT 10:30AM:

MS. O'BRIEN: Sir, before Mr. Haughey resumes his evidence, there will be one short additional witness this morning. Mr. Gus Kearney please.

MR. HICKEY: Chairman, I appear for Mr. Kearney instructed by Mr. Noel Smyth & Partners and I am applying for limited representation.

CHAIRMAN: I think, Mr. Hickey, in the context of what limited involvement that your client's statement discloses, I might defer that aspect for the time being, I will of course, in any event as I said on an earlier occasion, have regard to the preparatory work and liaison with the Tribunal lawyers you may have given but at the moment whilst I won't stop you asking any questions by way of clarification that may arise, it doesn't seem to be at this stage maybe necessary to make a normal limited representation.

GUS KEARNEY, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY

MS. O'BRIEN:

Q. Thank you, Mr. Kearney. Sir, you will find Mr. Kearney's Memorandum of Intended Evidence at Divider 8 in Book 21. Now, Mr. Kearney, you have provided the Tribunal with a Memorandum of Evidence which you are in a position to give

to the Tribunal?

A. Yes.

Q. And if I can just put on the overhead projector a copy of a document which the Tribunal forwarded to you and you may recall and in fact this has been on the overhead projector a number of times, that this was a list provided by Mr. Paul Kavanagh who was normally a member of the Fianna Fail fund raising committee in relation to persons who he intended to approach or considered he might approach regarding funds which he was intending to raise to defray the medical expenses of the late Mr. Brian Lenihan and I think a copy of that list was furnished to you?

A. That's correct.

Q. I think your name appears on that list, both on the left-hand side in the typewritten list you will see it there, and on the right-hand side on the handwritten list?

A. Yes.

Q. And I can hand you up a hard copy of that list if it assists?

A. No, I follow.

Q. Now arising from that, the Tribunal made contact with you to ascertain whether you could recall whether you or indeed MF Kent & Company of which you were formerly managing director had made a contribution to those funds which had been raised by Mr. Kavanagh and in response to the queries raised by the Tribunal you have provided a Memorandum of Evidence and I suggest what I will do is take you through

that perhaps and perhaps ask you one or two questions to clarify various of the matters referred to in the Memorandum?

A. Okay.

Q. Now I think you have informed the Tribunal that to the best of your recollection, you do not recall that you received any approach to contribute to funds which were collected to defray the medical expenses of the late Mr. Brian Lenihan although it was possible there was such an approach?

A. That is correct.

Q. You state someone else in MF Kent & Company Limited may have been approached at the time but you do not recollect such an approach?

A. That's correct.

Q. You state that with regard to the document produced by Mr. Paul Kavanagh in which your name appears, you think that it looks as if Mr. Kavanagh's attention was to request either you or MF Kent Company Limited to make a contribution?

A. That's my belief.

Q. Now can I just ask you this, I think you stated that you were formerly the managing director of MF Kent & Company Limited.

A. Yes.

Q. And I think that group included quite a large number of subsidiaries or related companies?

A. Yes.

Q. Were you also an officer or managing director to those

subsidiary or related companies?

A. Of all the companies.

Q. And can you tell me over the years in operation of the companies, was it the company's usual practice to make political donations?

A. That's correct.

Q. And I presume that it would be political donations not only to the Fianna Fail Party?

A. To other parties also.

Q. To other parties and that would have included the Fianna Fail Party?

A. No, to other parties also.

Q. And to other parties also. And in those years, was it usual that the contributions came out of MF Kent & Company Limited or did they come out of any of the other subsidiary companies?

A. Normally have come from the one company.

Q. And in the ordinary course, were you personally responsible for making the decision as to how much you contributed at any particular year to any political party?

A. I would have been partly responsible.

Q. Partly responsible?

A. But I would have known.

Q. You would have known. So would it be your decision possibly in consultation with one or more of your fellow directors?

A. Correct.

Q. And then the contributions would, in the ordinary course, be made out of the funds of the principal company MF Kent & Company Limited?

A. That's correct.

Q. And as regards donation to the Fianna Fail Party, was it usual that Mr. Paul Kavanagh made the approach to you or to somebody else?

A. It would be usually make the approach to me.

Q. And was it, in the ordinary course, was the approach received from Mr. Kavanagh or was it received from some other person on behalf of or representing the Fianna Fail Party?

A. There was no particular pattern.

Q. There was no particular pattern as to the person by whom the approach was made?

A. That's correct.

Q. Do you remember having dealings yourself with Mr. Kavanagh regarding the making of political contributions?

A. Yes.

Q. You do you remember having dealings with any other person yourself as regards contributions to the Fianna Fail Party?

A. I was provided with a list of the people that I had dealings with.

Q. You were provided with a list of the people that

A. I gave you a list of the people I made contributions to.

Q. That you gave contributions to?

A. Yes.

Q. So you do recall having dealings with Mr. Kavanagh regarding contributions and it's your recollection that all contributions would usually be made out of MF Kent & Company Limited?

A. That's correct, yes.

Q. So that if the Tribunal could get access and I know that MF Kent & Company Limited went into liquidation, has been restructured and you are no longer in a position to produce any of the documents from that company but I take it if the Tribunal could obtain those documents, the Tribunal would find records of political contributions?

A. First of all, I am no longer affiliated to Kent & Company.

Q. I appreciate that entirely.

A. And monies that were paid by Kent, the records I am sure are still, should still be there.

Q. Now, in relation to the list which Mr. Kavanagh produced to the Tribunal, I think you will see that your name appears twice on that list, both on the left-hand side which is the typed list, and on the right-hand side which is the handwritten list and the figure beside your name in both instances is the figure 10 which I think Mr. Kavanagh has already indicated to the Tribunal suggests a contribution of €10,000 and I think on the right-hand side, you see that there are a number of other persons that are also mentioned in the handwritten list. I think the first of those is Mr. Farrell and the figure there is 40 and I think in fact Mr. Farrell informed the Tribunal that he had contracted a sum

of €20,000 to the fund and the second name there is Mr. Tully. Now Mr. Tully has also indicated to the Tribunal and given evidence of a contribution of €20,000 and the fourth name on the list is Atron and Mr. Nicholas Fitzpatrick, who was managing director of Atron, has given evidence to the Tribunal that he contributed €10,000. The next name is Magnier, which is Mr. Magnier who gave evidence last week of a contribution of €20,000, and the last name on the list is Mr. second last name is Mr. Kane, who whom we haven't yet heard evidence but the final name is Mr. Mark Kavanagh who has given evidence that he made a contribution of €25,000 and certainly it was his intention he would contribute €25,000 so it appears therefore that with the exception of your name and Mr. Kane, with whom the Tribunal haven't yet made contact, that all of the persons on the handwritten list did in fact make a contribution, so in those circumstances, would you agree with me that it appears or the chances are that you may have in fact made a contribution of €10,000 to that fund?

A. I believe the, it's better to research the books of Kent.

I would have made no personal contribution myself.

Q. So any contribution that you would have made would have been made out of MF Kent & Company Limited?

A. Yes.

Q. And finally I think you did say to the Tribunal that it is possible that there was an approach made but that you have no recollection of it?

A. That would be correct.

Q. And you think therefore that if the Tribunal researches the books of MF Kent & Company, it should be apparent whether an approach was or was not made or indeed whether a contribution was or was not made?

A. There would be no record of whether approach was made or not made.

Q. But there would be a record of a donation?

A. If there was monies paid, it will be by cheque and it will be in the books.

Q. So it will have been my cheques and would have been in the books of MF Kent?

A. Yes.

Q. Thank you, Mr. Kearney.

CHAIRMAN: Nothing you want to raise arising out of that, Mr. Hickey? Thank you very much for your attendance and cooperation.

A. Thank you.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Mr. Haughey.

CONTINUATION OF EXAMINATION OF MR. CHARLES HAUGHEY BY MR.

COUGHLAN:

Q. Mr. Haughey, if I may proceed with the documents, the book of documents that we were dealing with on Friday and if I could just indicate to you that a document appears to be



out of sequence in the book and the next document I would refer to is in fact at tab 16, that should precede number 14.

A. I understand, yes.

Q. I think the this is a document, a memorandum of an interview which took place at Oldbrook House on the 21st February 1975 and it sets out that it relates to the various accounts, again which are included at the head of the document, and present for the bank were Mr. Sweeney, the central advance controller, and Mr. McAuliffe, the regional general manager and it reads:

"Mr. Haughey was informed of Board ruling of the 4th February and he was handed the Secretary's letter of that date which he carefully read.

The Board's extreme concern respecting the deteriorating state of his financial affairs was explicitly explained to him and it was demanded that he handed up his cheque-book and make immediate arrangements for various substantial reduction of his indebtedness and submit acceptable proposals for adequately securing and repaying the balance then remaining.

Mr. Haughey unequivocally accepted that he was at 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

consultation with his financial advisor, Des Traynor, of Guinness & Mahon, who have 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 worst fears were supported by the fact that since the last meeting with him on the 27th January, his indebtedness had increased by some €8,000, (apart from the increase €10,000 occasioned by the payment made at foot of his indirect liability for the Printopres Limited account) and that the haemorrhage could not be allowed 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 discussions, Mr. Haughey mentioned

(a) the possible necessity to sell not only Rath Stud but also part of the Kinsealy land,

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

(c) that his estimated income for this year was €20,000 which he acknowledged was entirely adequate to meet his outgoings, including the huge interest charges."

Now, do you remember such a meeting, Mr. Haughey?

A. No, Sir, I don't remember that particular meeting but on the other hand, no reason to doubt that it took place.

Q. Yes. And do you remember being asked on this occasion sorry, do you remember being at all asked for your cheque-book?

A. Not specifically, no.

Q. And do you remember refusing to relinquish the cheque-books?

A. No, I don't but again I would have to say that I couldn't disagree with what's said here.

Q. So, do I take it so that do you accept that that is probably a reasonable account of what transpired at a meeting between you and these two gentlemen?

A. I am not actually going that far, Mr. Coughlan, I am just saying I don't remember that specific meeting, these meetings were taking place, I accept that of course, and I could not say specifically that this type of conversation did not take place.

Q. Yes. Well, I suppose Mr. Traynor was a close friend of yours over many years prior to this?

A. Oh yes, he was. He was my first articled clerk in Haughey Boland & Company and the relationship continued from that time until he died.

Q. Until he died. Well can I take it do you have any recollection of his father's death? It might have been a significant thing

A. It's very difficult to say but I would think I would remember that, yes. I remember his father, he was I remember him because he was prominent in sporting circles in Dublin. He was Chairman of some soccer football club.

Q. Yes. And I take it in the normal course of events, I take it you would have attempted to attend the funeral of your friend's father?

A. Yes, that's something I find odd about this, that I wouldn't have perhaps asked for this particular meeting to be postponed in order to go to the funeral. Apparently not.

Q. Yes. But that doesn't assist you or jog your memory in relation to the particular meeting at all?

A. Not really, no.

Q. Now, just if I might further inquire about the memorandum which purports to record this meeting. I take it that apart from Allied Irish Banks attempting to get the accounts under control, neither Mr. Sweeney nor Mr. McAuliffe were people whom you would have believed had any personal view against you, would you?

A. I don't understand the question.

Q. Well what I am trying to ascertain, if this represents a reasonable record of a meeting or if they were people whom you would have believed would have purported to create a record which was not an accurate account or a reasonably accurate account of a meeting, it not being a contemporaneous note of course

A. The only thing I can say is that this particular internal AIB memo would seem to me to be a reasonable account of the sort of meeting that might have taken place but I cannot say that specifically I remember such a meeting.

Q. Or the specific detail?

A. It doesn't seem to be of very great consequence what took place at that particular meeting.

Q. Well very good. Now, the next document, if you would go back in the book, Mr. Haughey, please, it's at divider number 14 and this is a memorandum of an interview at Oldbrook House on the 3rd March 1975, with Mr. Traynor of Guinness & Mahon and present for the bank were LJ Sweeney, who was the central advance controller and Mr. JJ McAuliffe, the regional general manager and the memorandum records: "Mr. Traynor handed in a letter addressed to the bank by Mr. Haughey giving the bank freedom to disclose information in respect of his accounts to Mr. Traynor who explained the object of his advice 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'Connor solicitor following which he would draw up a composite picture of Mr. Haughey's affairs which he will discuss with him on Saturday March 8th with a view to formulating proposals for dealing with the entire situation and in particular, the position respecting AIB.

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

Now, do you remember having a discussion with Mr. Traynor around this time to discuss the overall situation relating to the accounts at Allied Irish Banks and also perhaps the Northern Bank Finance Corporation situation?

A. Mr. Coughlan, Chairman, it seems clear that I wasn't at this particular meeting. Mr. Traynor was at it by himself.

Q. That would appear to be the case.

A. But I don't particularly recall discussing with him but I must have because I gave him the letter to give to the bank which obviously they had looked for presumably, and furthermore, he would have been, as my financial advisor, fully aware of the difficult position I was in with the bank.

Q. Yes. Now, as you say, the memorandum records that Mr. Traynor furnished a letter that was, that was a letter consenting to the bank discussing your affairs with him, that's what the memorandum reports, isn't that correct?

A. Yeah, I think that was only a formality.

Q. Yes, that would be anyone who has any dealings with accountants from a sole trader right up to a major company which perhaps furnish annually letters of consent to enable their accountants to ascertain balances and banks and matters of that nature, for the bank to furnish that information to the

A. I can only deal with this point here and that is it seems to me that it was the sort of formality that the bank would look for to protect themselves, as it were.

Q. Or to protect the confidentiality in respect of their client?

A. Which perhaps existed in those days.

Q. Yes. And your suggestion, Mr. Haughey, that that was the reason or there was some other reason?

A. No I don't understand the question.

Q. What confidentiality sorry, I only want to clarify this, what confidentiality do you say does not exist? Has the law changed, to the best of your knowledge?

A. I don't think there's very much confidentiality in bank affairs these days, I am just contrasting the situation then.

Q. I see.

A. And what it would be today.

Q. I see. But this memorandum appears to record Mr. Traynor had not been in that position prior to this particular letter being furnished, that is, in a position to be able

to discuss openly with the bank the state of your affairs  
and the bank to discuss openly with him the state of your  
affairs, would you agree?

A. Mr. Traynor would have been aware of my general position  
with the bank but it would seem from this, yes, you are  
correct, that he had not actually been in discussion with  
the bank before that date, the 3rd March '75.

Q. And I suppose the only way that he could have been aware of  
the general position would be in discussion with you over  
the period?

A. Yes, in a general way I would think.

Q. In a general way. And I think you told us on Friday that  
Mr. Traynor managed your affairs more or less from the time  
you became a parliamentary secretary in the early 1960s?

A. That's my recollection, yes.

Q. And from that time was it the situation that your bills  
were dealt with through the firm of Haughey Boland, the  
accountants?

A. Yes.

Q. And Mr. Traynor, I think you said, perhaps became a partner  
around the time that you became a parliamentary secretary  
or there or thereabouts?

A. That's my recollection, yes.

Q. And during the 1960s, so whilst he was a partner there,  
your affairs were conducted through the firm of Haughey  
Boland, would that be correct?

A. Yes.



Q. And the various invoices or bills would be submitted or paid through that firm on your behalf and I presume they prepared whatever accounts were necessary over the years for you?

A. Yes, I think that was the position.

Q. That capacity as a partner in the firm of Haughey Boland, I take it Mr. Traynor would have had an overall responsibility or supervisory role or something of that nature within the firm?

A. Yeah, I think more than that. He would have been very much responsible for my financial affairs.

Q. Your financial affairs. Well I take it as we all know in firms that more junior members in firms may do some of the more mundane administrative tasks in relation to a client's affairs but Mr. Traynor had responsibility, as far as you were concerned, as the partner for your affairs, is that correct?

A. I don't think I would go that far, Mr. Coughlan. I'd imagine that would be the only partner, is that what you are suggesting?

Q. I am not suggesting that but

A. Well it would have been his particular personal interest in the firm to

Q. Might I put it this way: As far as you were concerned, if you had been you were his client in the firm?

A. Well, yes but I mean, I was an ex-partner of the firm as well.

Q. I appreciate that there was no specific clear cut relationship?

A. No.

Q. But if we could by way of analogy, you would have considered yourself, he was the partner and you were his client, if I could use that

A. If I may put it the other way around, he was the partner who personally assumed and was particularly interested in my affairs.

Q. In your affairs, yes. Now, of course that must have changed significantly in 1969, isn't that correct, or then there or thereabouts, because Traynor moved to Guinness & Mahon, isn't that correct, around then, 1969, 1970?

A. I am not sure but that was at some stage he did move to Guinness & Mahon, yes.

Q. And he moved to Guinness & Mahon in an executive capacity?

A. Yes.

Q. And he was no longer involved in the day-to-day affairs of the firm of Haughey Boland?

A. I think that would be correct, yes, but I wouldn't have direct knowledge.

Q. And I think in fact he ceased to be a partner in Haughey Boland around that time when I assumed his role I think as initially deputy chairman executive of Guinness & Mahon?

A. I assume so, Mr. Coughlan, I cannot be specific as to the times.

Q. Yes.

A. But I think it's on record that he did move from senior partner in Haughey Boland & Company to becoming, I don't know, chief executive or whatever in Guinness & Mahon.

Q. In effective terms, the title may have changed at different times but in effective terms. And your affairs still continued on a day-to-day basis, continued to be conducted by the firm of Haughey Boland, isn't that correct?

A. Yes, the mechanical side of it.

Q. That is the paying of bills, perhaps the preparing of accounts and matters of that nature?

A. Yes.

Q. And while Mr. Traynor was in Haughey Boland, I take it that over the years, say from 1960 up to the time he moved to Guinness & Mahon, you would have had a reasonable amount of contact with him in Haughey Boland in relation to your affairs, would that be fair to say?

A. Yes, I would, but not on anything like a daily or even weekly basis. From time to time, yes.

Q. From time to time. And when he moved to Guinness & Mahon, he would, I suggest, no longer have been in a position to have a day-to-day view of your affairs, would you agree with that?

A. Possibly not but on the other hand, he may have kept in touch with Haughey Boland, in a general way, about my position. In fact I think he probably would have.

Q. Yes. And can you remember, say, in the period after he left Haughey Boland and went to Guinness & Mahon and up to,

say, this period in the mid 1970s when you were dealing with Allied Irish Banks in relation to your accounts, how Mr. Traynor managed your affairs?

A. By means of advice and if necessary, taking particular actions.

Q. Well

A. Borrowing or whatever.

Q. Yes. Well you have indicated that it was probably Mr. Traynor who made the approach to Northern Bank Finance Corporation and made the arrangements in relation to that on your behalf?

A. Yes, that sort of thing.

Q. And can I take it that in order to be the overall manager of your affairs in the period after he left Haughey Boland up to this period in the mid 1970s, that you must have had some contact with him to enable him to be familiar with your affairs in general terms?

A. Yes, of course.

Q. And would the contact take the form of, I suppose in the first instance, there would have been telephone contact, that would seem fairly reasonable, between yourself and Mr. Traynor about your affairs?

A. Yes, I suppose it would be. Take the normal course, he might call out to see me, I might go down to see him in his house, he lived not too far away or alternatively, as you say, it may have been by telephone from time to time but I just make the point there, Chairman, Mr. Coughlan, that he

was a close personal friend at this stage, I mean he had been my articled clerk and that was a close relationship and he assumed a very great personal interest and responsibility for me as a person with the financial situation, if I can put it more strongly than that.

Q. Yes, I am just looking for your assistance so the Tribunal can have a complete picture of the situation, Mr. Haughey.

A. I understand, and I am endeavouring to help as much as I can.

Q. Yes of course, of course. So that by the time this memorandum came to be created, it would be your view that Mr. Traynor would have had a general picture of your financial situation but perhaps not a specific one in relation to the requirements of Allied Irish Banks or the dealings you may have been having with Allied Irish Banks at that time, would that be reasonable?

A. Yes, he would know in a general way I was indebted to Allied Irish Banks and that they were inviting me, in inverted commas, in from time to time to see them and discuss my affairs.

Q. Yes.

A. Sometimes changing the

Q. Yes. And it would appear from this memorandum, if it be a reasonable record of what transpired, that Mr. Traynor was perhaps also looking at the overall picture because it would appear that he was going to have some discussions with Northern Bank as well in relation to some

indebtedness, the indebtedness there, is that correct?

A. Well, as I say, Mr. Coughlan, I wasn't at that meeting and I can only look at this document here and take from it what the author of this document says that Mr. Traynor says.

Q. Yes.

A. So it's very much hearsay.

Q. Yes. But could I come at it this way, would Mr. Traynor have had your permission to mention to Allied Irish Banks the overall state of your financial affairs?

A. Oh yes.

Q. So it would not have been unreasonable for him perhaps to ask other bankers to paint the whole picture and express the view that he would, in conjunction with you and perhaps a discussion with Mr. Pat O'Connor, attempt to deal with the whole situation?

A. Yes, I would think that that's what this process, which is starting now, would be all about.

Q. Yes.

A. But I also see the wording there, it says that the author of this memo says that the "The object Mr. Traynor who explained that the object of his visit was to ascertain how his client stood with us" I am his client there obviously and I think those words would indicate that he was more concerned as to their attitude towards me personally.

Q. I see.

A. As bank people rather than the actual amount of what was involved.

Q. I see.

A. Or the ins-and-outs of the thing.

Q. Yes. Now, the next document then is at divider number 15.

And it relates to the memorandum of an interview at Oldbrook House on the 19th 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 indebtedness and the future course for the account.

At the outset Mr. Traynor pointed out that he saw no possibility of the sales of Rath Stud or part of Abbeville as acceptable figures being effected at present, due not only to the economic situation but also due to the reluctance of buyers to invest due to impending Wealth Tax and Inheritance Tax legislation. He requested the bank to let matters rest for six months, the borrowings to be frozen at present figures. In the meantime, Mr. Haughey will live on his parliamentary income of €7,000 per annum but a further advance of €12,000, that is €2,000 per month, was requested to pay for outgoings to 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 confirmed that they were fully satisfied that property

must be sold to clear the very substantial borrowings, some  
€400,000, including Northern Bank Finance Corporation,  
€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:" And there is set out:

"Abbeville House, (residence) with 250 acres cost €140,000  
in 1968/9. In normal times could fetch €1.5 million and in  
present conditions, value €800,000. This property vests in  
Abbeville Limited, shareholders Mr. and Mrs. Haughey, but  
due to introduction of Wealth Tax it is intended to  
liquidate Company and property will be transferred to Mr.  
Haughey. Contents value €50,000. And that gives an asset  
value there of approximately €850,000.

Rath Stud, 150 acres with small house and stables, (24  
acres vest in Abbeville Ltd.)

Cost €30,000 in 1960s, 20 acres on main road, has  
development potential, Collen Bros were at one time  
interested for factory. Value, €200,000.

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

Innishvickillane Island at Kerry value €20,000.

House at Artane, value €10,000.

Site at Wexford, value €2,000.

Livestock, value €20,000.

Bloodstock, value €130,000.



Share in Stallion œ10,000 and

Life Policy, surrender value œ700.

Giving overall asset value there of œ1,252,700 and the

outgoings were:

Stud manageress, œ18,000 I take it that must be per annum.

Feed, œ6,000.

Veterinary fees, œ1,200.

Heat etc., œ2,400.

Domestic Staff, œ5,000.

Total œ32,600.

On the above figures Mr. Sweeney voiced considerable doubt of client's ability to manage on œ12,000 or for the coming six months and it was very hard to visualize them 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 February when the overall borrowings stood some œ16,000 less than now, the directors not only refused the request for additional accommodation but called for 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 his

this bank a second lien ranking puisne to NBFC's charge on the Abbeville and Rath properties. He was also satisfied that Northern Bank Finance Corporation would have no objection to this.

In conclusion, Mr. Haughey expressed his appreciation at 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."

Again, Mr. Haughey, do you remember that particular meeting?

A. No, I don't actually remember the set out there but there's one point that I might draw attention to here, it's the second paragraph, it begins "Abbeville House (residence),"

I have some recollection that that, at that point, Mr.

Michael McMahon of Haughey Boland & Company, who was a tax who was the a principal tax man in Haughey Boland & Company, Des Traynor wasn't strictly speaking a tax man but Michael McMahon I think was the person who advised on that Wealth Tax situation and changing from a company to the individuals.

Q. The individuals.

A. Because of the impending Wealth Tax.

Q. Yes.

A. I just say I have that sort of recollection, Michael McMahon did come in as well as Mr. Traynor at that stage.

Q. Yes. Well, yes, that would be normal and reasonable type of advice you might be taking when you were trying to sort out the overall situation in relation to your finances so this appears from the documents anyway, to have been the first meeting that you had with Allied Irish Banks at which Mr. Traynor was present, would you agree?

A. Yes, that seems to be so, yes.

Q. And in terms of listing or an indication of the various assets which you had, which according to the memorandum was given by you, that that was probably compiled in conjunction perhaps with, as you say, Mr. McMahon who would have given advice on the tax side, and people in Haughey Boland and perhaps Mr. Traynor. Would that be correct?

A. Sorry, I was just reading there

Q. Yes.

A. I was reading

Q. Sorry, I beg your pardon, that in order to draw up this schedule of your assets and an understanding in broad terms of the outgoings and the requirements, that you would have perhaps sat down with Mr. Traynor, perhaps obviously Mr. McMahon, you believe, in relation to tax advice, and perhaps other people in Haughey Boland, to have a full understanding of your affairs to bring to the bank, would that be correct to say?

A. I think that was almost certainly correct, yes. I mean that list compiled there would have, I am sure, be compiled by Mr. Traynor rather than by me.

Q. Yes, or even perhaps by people in Haughey Boland?

A. Yes.

Q. Yes. And can I take it that you would have had some discussion or a meeting in relation to these matters before you and Mr. Traynor went to the bank?

A. I would think so, yes.

Q. And I think as the memorandum indicates, Mr. Traynor pointed out that this was a bad time to dispose of property, I take it at the time you would have agreed with that view and it probably was?

A. Well I think you can see there that Traynor is coming in to the AIB situation in a much more, if you like, realistic or accountant's way than I would have been because I think the previous memorandum, Mr. Coughlan, would indicate that I had no problem about selling Rath or the lands at Abbeville and this is the first reference to the fact that it mightn't be all that easy to sell them and that would be Mr. Traynor's

Q. And what has been suggested here, would you agree, is perhaps, you know this is an inappropriate time, the asset wouldn't realise but it should realise and an indulgence is being sought for a period of time

A. Well

Q. to deal with it?

A. Perhaps that but also I think the important point there is I think Mr. Traynor is coming in discussing with these bank people in a more realistic way than I had been.

Q. Yes, whilst in fact the schedules in relation to the assets and outgoings was probably compiled in conjunction with advisers, you were the person who supplies the information, as the client to the bank, is that correct?

A. Or as you say, from Haughey Boland as well perhaps.

Q. Yes. Now, at that time in 1975, would you agree that it appeared that in order to resolve the indebtedness with Allied Irish Banks and perhaps with Northern Bank Finance Corporation, that some assets would have had to be disposed of, that there wasn't sufficient income to meet repayments to cover the level of borrowing?

A. Well I think that's more or less what the meeting was about, wasn't it? The bank would have been in a general way pressing to have assets sold to make reductions and Des Traynor would have been resisting that, that the time wasn't right. That seemed to be the trend of that meeting.

Q. Yes. But I think the memorandum also records what your income would have been in the year roughly from various sources and that there was an acceptance, I take it by you and by them, that the indebtedness could not have been disposed of out of income anyway?

A. Sorry.

Q. It couldn't have been disposed of out of income?

A. Sorry, I am not getting you.

Q. The level of indebtedness was, including Northern Bank Finance Corporation, perhaps around €400,000?

A. They were out of all

Q. The relationship between income and indebtedness

A. There was no relationship.

Q. Yes. Yes. Now, the next document is at tab 17 and it's a letter from you to Mr. Sweeney at Allied Irish Banks dated the 25th March 1975 and it reads:

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

1. My existing accounts will be frozen at the balance at present outstanding plus interest accrued at the 31st March 1975 and outstanding cheques to the extent indicated.

2. A new facility will be granted for the operation of the Rath Stud farm at a rate of approximately €2,000 per month until the 30th September 1975. This facility will be by way a new loan account in the name of Rath Stud Farm and the current account in the name of Rath Stud Farm would be opened with €12,000 placed to the credit thereof. Both accounts will be offset for interest purposes. The current account will at all times remain in credit and the only items to be debited with thereto will be direct outlay object the Rath Stud Farm all of which would be paid through Haughey Boland & Company.

This loan account will be liquidated by the sale of this year's group of bloodstock yearlings which are estimated to realise approximately €30,000 in the September sales.

3. My personal household expenses will be provided out of my personal 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 September next to enable me to have the opportunity in conjunction with my advisers of realising assets with a view to reducing the overall level of the 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 to 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,

Mr. Charles Haughey."

So does it appear that after the meeting yourself and Mr. Traynor had with the bank you went and perhaps discussed matters again with Mr. Traynor and this particular letter was formulated and you sent it to the bank?

A. Yes, I am quite certain that the letter would have been formulated principally by Mr. Traynor.

Q. Yes.

A. Arising out of his meeting with the bank.

Q. Yes. And whatever draft or rough draft or would then have been either dictated or typed up at your personal office in Abbeville and signed by you and sent to the bank, would that be correct?

A. Not necessarily, I think the letter probably have been prepared in Haughey Boland company or maybe in Guinness & Mahon.

Q. Yes.

A. By Mr. Traynor. Am I right in thinking at this stage Mr. Traynor was in Guinness & Mahon so it might have been done there on my paper but I wouldn't be sure of the details.

Q. Yes. Just in that regard, you would have supplied the paper, Guinness & Mahon would not have a supply of your



personal notepaper, would they?

A. No, but that might indicate that it's more likely to be typed up in Haughey Boland & Company who probably would have.

Q. Who probably would have had, yes. Now, the response to that is at the next tab number 18 and it's a letter from the bank to you and it's dated the 8th April 1975 and it says:

"Dear Mr. Haughey, with reference to your letter of the 25th ult, 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 continue 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 entirely borrowings from this bank.

Their agreement was strictly subject to the following conditions:

A: That on withdrawal from the Rath Stud account of the additional advance €12,000 now sanctioned and on payment of cheques outstanding but not yet presented at foot of that account and the Personal Account No. 1 which we understand to total as follows:

Rath Stud account, €2,211.30.

Personal Account No. 1 €1,268.87.

That these two accounts and the special account will be ruled at the following figures subject only to addition interest at 'A' loan account rate and will cease to operate:

Rath Stud account overdrawn œ95,055.87.

Personal Account No. 1 overdrawn œ69,196.26

Special Account overdrawn œ14,312.46.

B. The proceeds of the additional advance œ12,000 mentioned above will be lodged to fresh account to be opened which is to be operated by Haughey Boland & 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 puisne to Northern Bank Finance Corporation) on the properties Abbeville and Rath Stud and, as it is understood, the former holdings 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 this bank be kept informed on a monthly basis of promising 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 herein agreed to.

Yours sincerely."

Now, do you remember receiving that letter?

A. No, not specifically but

Q. I don't think there will be any doubt about that?

A. It seems to be in keeping with what, it seems to follow-up from the meeting before.

Q. Yes.

A. It doesn't seem to be signed.

Q. This is the bank's copy of the original. This is an office copy. This correspondence, I take it, when you received this letter, it's a matter that you would have brought, it seems to have been addressed to Abbeville?

A. Yes.

Q. And was there a private office at Abbeville at the time?

Did you have any secretarial staff there?

A. I think I would have had a secretary, yes.

Q. And what would have happened

A. The secretary would have been mainly on political matters.

At that time I was very active trying to reinstate my political career and I would have had a full-time secretary in Abbeville but as I say, almost exclusively, generally speaking, devoted to the political side of things.

Q. Yes, and personal matters like this, how would they have been dealt with?

A. Sorry, in what way?

Q. When you received it, did you keep a file in relation to these matters at Abbeville or would you have given this document to

A. Well at this stage that would almost certainly have gone straight to Mr. Traynor or to Guinness & Mahon.

Q. Where do you think - would your files have been kept at Haughey Boland rather than Guinness & Mahon do you think?

A. I would think more likely at Haughey Boland.

Q. The probability is you believe this would have been transmitted to Haughey Boland?

A. Almost immediately, yes, or personally to Des Traynor at Guinness & Mahon.

Q. Well I take it you must have received a reasonable amount of post at Abbeville at that time and at all times perhaps?

A. Yes, certainly I would be very active politically and I was touring the country practically every day, every week and I would be receiving a lot of physical correspondence.

Q. Yes. Well when the post came into Abbeville, I know it's a long time ago, but can you remember what the normal

procedure was? Was it opened by a secretary?

A. I would be fairly certain that the secretary would take the post and deal with, you know, ongoing political stuff, on sort of a routine basis but presumably things like this would be brought to me.

Q. Yes. This probably came on a, probably marked 'private and confidential' probably?

A. It says so here all right, 'private and confidential'.

Q. So something like that would have been brought to your attention perhaps when it arrived?

A. A letter like that would be immediately called to my attention, yes.

Q. And can I take it that it was you then who would have directed where it should have gone?

A. Yes.

Q. To Mr. Traynor or Haughey Boland, whichever was the appropriate place at that time?

A. Yes.

Q. And would you have done that yourself or would you have asked the secretary to send it off or

A. I am sure it could be the secretary because I would, very often I wouldn't be there.

Q. Yes. And would you have been seeing Mr. Traynor much over this period when you were travelling around the country?

A. I wouldn't say I'd see him very frequently, no.

Q. Yeah.

A. I couldn't exactly say now but I think it would be sort of

on the basis that he wanted to see me or if I particularly wanted to see him.

Q. Yes. I take it apart from business matters or matters of finance, you would have had some social intercourse with him as well? He was a close friend, is that correct?

A. He wasn't a very socialising sort of person.

Q. I see. So most of your dealings so with Mr. Traynor would have been practical. He was a practical sort of man who wanted to get the business done?

A. Yes, very much so, indeed very much so but on the other hand, I think we would have a fair level of social contact such as we might go to each other's weddings, his children's weddings or mine but as I say, he wasn't very much a socialiser.

Q. Yes. I think the next document then, Mr. Haughey, is at divide number 19 and it's an internal memorandum dated the 17th September 1975 and it's dealing with your accounts, it's to Mr. Denvir, who was the area general manager east and it's from the senior lending manager and it reads:

"With reference to the branch application of September 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 client seeking additional facilities but that in addition repayment of the additional facilities approved last April was not now envisaged even

though the bloodstock 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 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 developments in this regard one month hence."

Do you remember after your meetings which must have taken place with Allied Irish Banks and Mr. Traynor present, seeking further facilities later that year?

A. No, I am not clear on this matter at all. This letter now, sorry, the internal memorandum we are looking at is dated the 17th September 1975.

Q. Yes.

A. And the last document, if I am right, subject to the position we discussed, was the 8th April 1975 so there seems to be a six months gap.

Q. Six months gap, there appears to be.

A. I think it's a little surprising bearing in mind that the maybe it was the fact that Mr. Traynor was now in on the situation but that they didn't leave me for six months before that.

Q. Well as I understand the memoranda and correspondence and

perhaps I am incorrect but what had been negotiated or agreed or a working understanding was that matters would be let lie for about six months and that in that period, proposals would have been formulated to enable the disposal of assets?

A. I see that point, yes.

Q. I think that appears to be the situation?

A. I see that because in the letter of the 8th April it says,

"And to give you a further six months..." yes.

Q. I think that perhaps accounts for the situation?

A. That would explain it, yes.

Q. But what appears, or again what I am asking you, do you have a memory or a view in relation to this particular internal memorandum which appears to suggest that a proposal has now been made, Mr. Phelan now appears to have become manager in Dame Street by this time anyway, we see it, we see his name mentioned in this memorandum I think but that a proposal is being made at branch level for further facilities and it's gone to the Advances Committee and what the Advances Committee are saying is that they don't wish to sanction the proposal coming from branch and they want to know what has happened in the preceding six months to deal with the matters which appear to have been agreed six months previously. That's my understanding of the memorandum and I am just wondering does it accord with your understanding?

A. I am just dealing with it as it's presented here because



it's obviously an internal memorandum which both I, Mr.

Traynor and myself would have seen and as I look at it, Mr.

Coughlan, first of all, it talks about there's a meeting of

the Advances Committee.

Q. Yes.

A. And at the same time it talks about the directors and the

board.

Q. Yes.

A. But also there seems to be an application made before this

date, the 17th September.

Q. Yes.

A. And I presumably after the 8th April.

Q. Yes. That's as I

A. But we have documents about that.

Q. As I understand it, it seems to be that a proposal is

coming from branch. Mr. Phelan has put up a proposal it

would appear.

A. Yes. But there doesn't seem to be any documentation

referring to it.

Q. No. Well do you have any recollection of approaching Mr.

Phelan with a proposal?

A. No. No, I don't, and mind you at this stage, now that Mr.

Traynor is taking charge over the AIB aspect as well as my

general affairs, if such an application was made, it would

be probably made by him but I have no as I say, it's

puzzling that there's no documentation referring to such an

application.

Q. Yes. Well I think maybe I am incorrect about this but evidence was given that managers would, on occasion, make telephone contact with people in relation to proposals but that may or may not have happened, I don't know, but what I am seeking is your view or your recollection of that.

A. Well my view is that my whole account was now at a high level and the Advances Committees and Boards and Directors and everything like that, so it would seem to be a bit out of keeping with that, that the manager would deal with an application for I don't know.

Q. Well I think

A. I am just trying to, as you ask me to sort of tease out the general picture.

Q. Of course. Yes. Well if I could take it this way, I think you told us on Friday that you considered Mr. Phelan, once you got to him, a friend, would that be fair to say?

A. Let me say a friendly manager.

Q. A friendly manager, I see. And in your dealings with Mr. Phelan, I take it that you found him to be a man of honour?

A. I would say about him that he was, I think I have already said, that he was a bank manager of old school, approachable, but maybe sympathetic might be too strong a word but approachable in the manner of the old school.

Q. And you got on well with him?

A. Oh yes, I got on with him. Our office in Haughey Boland had been, was at the time at 13 Dame Street and the bank was more or less next door. Now, I don't know if Mr.

Phelan was in Dame Street before he became manager.

Q. He would have been.

A. He could have been, yes.

Q. And I am just wondering, looking at the memorandum, in the memorandum records, that Mr. Phelan is making an application or a proposal on your behalf, that you would have no reason to doubt but that Mr. Phelan would have been doing so appropriately, that is that it would have been on your behalf, he wouldn't have been doing it for any other purpose?

A. Oh certainly not, no. But it's I think, Mr. Coughlan, you have to agree it's not too clear, this memorandum doesn't help us in any specific way. It just begins with reference to the branch application of September 16th.

Q. Yes.

A. I wish to advise that the matter was considered, etc. etc.. Now, it doesn't indicated that the application to the branch was made by me or by Mr. Traynor or whatever. Am I not right in that?

Q. I think perhaps we will move along, it may become clear. I'll just move along so at the moment. The next document, number 20, it's a memorandum for the file, this is internal Allied Irish Banks memorandum for the file and the area general manager and manager Dame Street received Mr. Haughey at Oldbrook House on the 24th September 1975. That the manager of Dame Street would have been Mr. Phelan I think, Mr. Haughey.

"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 he would be loath to approach ACC in view of the fact that Mr. Collins had affiliations with the Fine Gael Party and mentioned in confidence that Mr. Peko of Haughey Boland & Co. was about to be appointed to the top job in Northern Bank Finance Corporation. In the latter regard due to his personal involvement he would be loath 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 adviser 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 re-present his case to the board."

So, the next document, well perhaps should be read in conjunction with that because it's a memorandum for the

file and dated the 27th October 1975 and it reads:

"Area general manager and manager at Dame Street received Mr. Haughey and his accountant, Mr. Traynor at Old book house on the 24th October 1975.

Mr. Haughey produced projections which showed that he required additional working capital of  $\text{€}50,000$  to keep his stud farm over the next year - Mr. Denvir at this juncture indicated that there was 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 Northern Bank. This of course contradicts our information re his borrowings from the ACC. He 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."

Now if I go back to the document at divider number 19 which begins, would you agree, having read the other documents, that it appears to convey a proposal was made to Mr. Phelan at the branch which appears to have been sent upstairs,

that in September, this appears to have been rejected but it was followed up then on the 24th September with a meeting at Oldbrook House which you attended with the area general manager and Mr. Phelan and there were various discussions took place and this then culminated a further meeting which Mr. Traynor attended on the 24th October 1975 which had more detailed specifics perhaps worked out.

Would you agree that that appears to be the sequence of events?

A. I don't think I can disagree with anything said here except one thing if I may?

Q. Yes.

A. And this is the second document.

Q. Yes, that's at divider 20?

A. The third paragraph, "We also believe " sorry, "He owes the bank of Ireland Raheny branch money through his wife's account there." That couldn't be correct because my wife never owed any bank any money.

Q. I see.

A. So to that extent, it's not accurate.

Q. I see. So I think what it's recording is their belief so their belief couldn't have been correct?

A. Sorry?

Q. What it records is the belief of the bank, it's not, it is the belief of the bank so, the bank's belief was inaccurate, is that correct? "We also believe..."

A. It's rather odd that they should, one would think that my

position regarding with them, as bankers was serious enough without them adding to it on the basis of some hearsay or belief.

Q. Yes. Sorry, it was correct or was it, did you owe money to the Agricultural Credit Corporation at that time?

A. I am not sure at that stage, Mr. Coughlan. I definitely owed, I had borrowings with the Agricultural Credit Corporation at some point but

Q. Various stocking loans I think?

A. Various stocking loans so we can look at them later on, whether it was at this point in time or not, I am not sure.

Q. Very good. Well, whatever about the erroneous belief that Allied Irish Banks had in relation to the Bank of Ireland, did you know even if there was an account there in your name or your wife's name or anything?

A. Yes, my wife I think for a long, many, many years had an account in Bank of Ireland, Raheny, it was a small, I think more or less savings account because we lived in Raheny at one stage when we were first married and I think she had an account from that time but it was, to the best of my recollection, it was a small personal savings account.

Q. Yes. But notwithstanding and of course the advice you were receiving from Mr. Traynor and people in Haughey Boland, because of your relationship here with Allied Irish Banks you had to continue, would you agree, to have to play a role in your affairs with Allied Irish Banks, isn't that correct?

A. I suppose reluctantly, I would prefer if they dealt exclusively with Mr. Traynor or Haughey Boland & Company but again as I think I said on Friday last, I was the account holder and they seemed to have a wish at all stages to have me there in person to, as the account holder.

Q. Yes. During this period, what advice were you receiving from Mr. Traynor?

A. I can't specifically remember but I am sure as an accountant and by this stage he was a banker himself, he would almost be, in so far as he would be advising me at all, he would be advising me to reduce my expenditures and try and get my affairs into some sort of order.

Q. Yes.

A. I am sure that would be what he would be saying.

Q. Yes. Now he obviously must have given some advice in relation to the sale of assets because when he accompanied you to a meeting, he informed people at Allied Irish Banks that now was not an appropriate time to dispose of assets because of the market and impending imposition of Wealth Tax or Inheritance Tax of that nature so you would have had to have had some discussion with him for him to impart the advice to you and for you to convey whatever views you had about it yourself as well?

A. Oh yes of course, yes.

Q. And at this time, can you remember whether there was a lot of pressure on you? There was a lot of pressure from Allied Irish Banks anyway, isn't that correct, at this time



in the mid 1970s, to reduce your indebtedness?

A. Well yes, but it seems to me to have been, in looking at these memorandum, to be sporadic, from time to time they would wake up to the extent of my borrowings and invite me in and then they'd leave it for a period of months. That seems to be the

Q. Yes, well we see that six month period, the grace that was allowed to work out a strategy to reduce the indebtedness and now we come to September and October of 1975 when there is a proposal being made, in effect, to increase the indebtedness at that stage. Can you remember whether you and Mr. Traynor had worked out a strategy at all over the period to try to reduce the indebtedness?

A. Only insofar as we had, I had assets, and presumably that we would try and at some appropriate time think of ways of disposing of them successfully to reduce the liabilities.

Q. Yes. But there were no, if I might put it this way, no detailed plans drawn up by yourself and Mr. Traynor in relation to?

A. I wouldn't think so, no. May I say in that connection as I have already mentioned, at that stage of my life my primary preoccupation was rebuilding my political career and around then I was very, very active and travelling the country almost on a daily basis and while it might appear from these documents that I was constantly preoccupied with my financial position, I assure you that was not so. I dealt Mr. Traynor and myself or whoever dealt with these

bank matters when I had to.

Q. Yes.

A. Yes. When they would ask me to come in and the particular situation and looking for all sorts of proposals and guarantees and so on.

Q. Yes.

A. But I don't know if I am making it clear but it was not a constant daily preoccupation of mine.

Q. Yes. I suppose while that's so, Mr. Haughey, every holder of public office always has an eye or an ear to his financial state of affairs because of the consequences of getting into any very deep water in relation to financial affairs could inhibit that person from holding public office, is that correct?

A. I think that's absolutely true, yes. And I think also, perhaps I am not dealing with the question of facts now so maybe I better leave it.

Q. Now, at divider number 22, there is a fairly lengthy document and it's headed 'Area Office East Dublin West Region' this is I think described by Allied Irish Banks as a report on the state of the accounts, Mr. Haughey.

A. Sir, my copy here doesn't, it says 13th September but the actual year is indecipherable.

Q. I think that is '75. I agree some of these photocopied documents

A. Is it '76 or?

Q. '76, Mr. Haughey, yeah, because you will see underneath,

you see where the tables are set out and it says, "last formal limits 3rd April 1975... And then the right-hand column, position at the 19th June 1976, do you see

A. 29th of

Q. 29th June 1976.

A. Again, '76 is not too clear on mine.

Q. I agree. There's an asterisk, do you see the asterisk on the right, 272 on the right first please. Perhaps I will go through the document first and we will come back. If I just go through the document, perhaps we will come back and clarify it. It's the account of Charles J Haughey, TD, BComm, barrister at law, Opposition Spokesman on Health, farmer, bloodstock, breeder. Formerly Minister for Justice, Agriculture and Fisheries and laterally Finance in Fianna Fail Government, I presume that must read. Then it sets out the accounts, last formal position was 3rd April 1975 and it sets out the debit balance totalling there €173,776 and then it has position at the 16th September 1975 of debit balance of €187,069 and then the position as of the 29th June 1976 and there's a double asterisk at the bottom and it has a debit balance of €272,980.

And then in relation to the asterisk, above, the first one is interest for current half year €20,000 is being placed to Suspense Interest as amounts for half years September 1975, €13,290 and March 1976, €15,844, have not been paid by Mr. Haughey.

"Total debt at 13th September 1976 including interest is €282,000. This figure may increase no indication available of amount outstanding cheques. Total debt has increased by approximately €96,000 in past year including interest additions of €36,000.

And then it sets out the securities held:

- 1: Letter of guarantee, €500 HJ Boland supported by life policy €1,000 1951/1990.
- 2: Assignment of life policy, €1,000 1951/90.
3. Equitable deposits of Scrib, €5,765 €1 shares Printopres - no value.
4. Equitable Deposit Deeds 12 acres + house in Sligo, value €10,000.
5. Letter of undertaking re Deeds of house at Artane, value €9,000.
6. Letter of Guarantee €40,000 from Larchfield Securities Ltd to be supported by registered deposit of Deeds of Innishvickillane Island, County Kerry, value €20,000.
7. Second charge (ranking puisne to Northern Bank Finance Corporation charge for €220,000) over Abbeville House - 250 acres Kinsealy, County Dublin, (cost €140,000 1969) and Rath Stud, Ashbourne, County Meath on 150 acres - valued in all, €1 million. Properties vest in joint names with wife. Our charge stamped to €190,000.
8. Letter of Guarantee €190,000 from Mrs. Maureen Haughey, (security in order, charges registered etc., a few minor

items to be finalised to fire policies etc.).

Assets: In addition to lands held as security, Mr. Haughey owns bloodstock €130,000, livestock €20,000, bringing total assets to approximately €1.2 million (September 1975 figure).

Liabilities: Northern Bank Finance Corporation, €220,000, (September 1975). AIB, say €280,000, (September 1976), that is in total a €1/2 million. As far as we are aware, there are no repayment arrangements with NBFC, the facility being rolled over. Indications are that he also owes ACC perhaps 20/€30,000 but he has not admitted to this.

Recent history: The last formal sanction by Advances Committee in April 1975 was to grant €12,000 additional (making €173,776) to be drawn on Rath Stud to meet stud outgoings, April/September 1975. The Rath Stud account personal number 1 and special account were to be ruled and cease to operate save for interest additions at 'A' loan account rate account rate. This position to outstand for six months during which time Mr. Haughey was to arrange disposal of sufficient assets to clear entire borrowings.

The Rath Stud working account and personal number 3 account (personal drawings) were to be maintained in credit.

September 1975: Further €15,000 sought on stud working account but Advances Committee declined."

That is probably the key now to a previous document but

I'll come back to it.

"September 1975: Further €15,000 sought on stud working account but Advances Committee decline.

September/October 1975: Mr. Haughey and advisers 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 September 1976:

1. Mr. Haughey suggested that we take over NBFC - debt, (€220,000) - (interest 2 years) - resulting aggregate debt, 1/2 million 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 2 1/2 million.

2. He intends to sell Rath Stud in the near future and is confident €300,000 can be realised - of which €160,000 will be required to purchase an alternative stud farm in Co. Kildare and a further €40,000 to buy 9 acres adjoining Abbeville leaving a net cash surplus of €100,000, (it is probable NBFC as 1st mortgages would retain this sum.)

Arising from the foregoing, Mr. Phelan suggested Mr. Haughey sell Rath Stud outright but Mr. Haughey would not do this as (A) bloodstock is only taxation outlet and (B) publicity would attach to outright sale which could indicate his bankers were exerting pressure. He also mentioned that Gallagher Group (Builders) would purchase 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 affect 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 he would be more than willing to assist the bank in directing new business etc.

He intends to devote a further a further 10 years to politics."

Now, I think that seems to be setting out a history of the recent period in Allied Irish Banks and in general terms, does it accord with your understanding of the history of your state of affairs with Allied Irish Banks in the first instance?

A. The history of, it seems to, yes.

Q. And do you remember, or first of all, did you indicate that there might be the possibility of selling a portion of Abbeville for building purposes at that time?

A. I don't recall that, no, but again I cannot say that it wasn't discussed.

Q. Yes. And this was recording a view of Mr. Phelan's and again I take it that you would have expected Mr. Phelan to have reported reasonably accurately the type of proposal that you were making to him?

A. Well might I must mention, Mr. Coughlan, again, this report here seems to be a full year after the last memo, 27th October 1975, if we are right in thinking that this is, I think this is '76.

Q. Yes.

A. But a full year has elapsed in between with no documents of any kind, no records. It just seems a bit strange to me.

Q. Yes. Well the one thing that is positive is that the drawings have continued substantially, isn't that correct?

A. I am just wondering if there are documents in between.



Q. Oh there probably are, Mr. Haughey, but this is a document summarising the dealings over the years, isn't that correct, and I think the Tribunal furnished you perhaps in December of 1998, with all of the documents that the Tribunal obtained from Allied Irish Banks, having received a waiver from you to have access to them of course and then what the Tribunal did was it extracted the documents which it considered appropriate to be led in public and those documents were furnished and your comments were sought I think perhaps in January of 1999 in relation to these matters, Mr. Haughey, so I think this isn't all the documents, I think we all know that, there are many many leverarch files of documents I think. What this is is a history of the intervening period of about a year dealing with the situation.

A. Yes, I understand, but in view of the activity, if I use the word, of the bank up to the last recorded minute on the 7th September 1975, that

Q. October 1975?

A. October 1975, that they were not in touch with me at all for 12 months.

Q. Well, I think they may have been, Mr. Haughey, even in that document, there is, there seems to have been the meeting with Mr. Denvir in March and April of 1976 which is recorded on the second page of that document, meetings, further meetings, I think there may have been a number of meetings over that period in March and April of 1976?

A. Yes, I see that point there.

Q. Yes. Now, I think that, I think perhaps you would agree that about a year previously there had been, if not an undertaking, an understanding that there would be an attempt to reduce the indebtedness over a six month period and it's described in the documents as an undertaking but there doesn't seem to have been a formal undertaking in relation to matters but what this records is a history, that notwithstanding that understanding our undertaking, what there was was a continued substantial drawings on the account, isn't that correct?

A. Are you going on the figures up at the very top of the

Q. Yes, I think on the top it says that

A. The position in September, '75.

Q. Over a 12 month period there seems to have been increased indebtedness of about £96,000 but £36,000 of that accounted for interest?

A. Well I think that's a relevant factor, isn't it, the £36,000. I mean interest rates at that time were absolutely crucifying.

Q. They were high, yes.

A. And I think I was being, I saw one of the memos being charged 18 and a half percent.

Q. Yes.

A. So when you say that my drawings were going up, it wasn't all drawings.

Q. Oh yes. About £60,000 well we accept these figures,

about €60,000 was drawings and about €36,000, about half again in relation to interest but were you aware of the fact that Allied Irish Banks around this time started to put the interest into a suspense account?

A. I wasn't no, I have read that with great interest, while they were putting great pressure on me about my debts to them, they in fact had more or less not exactly written off but certainly reduced considerably

Q. I think what would have been, they have given evidence that they indicated that they considered this a problem account and this is why interest started to be put into a suspense account, in other words, I think you'd understand it wasn't being taken into account in relation to the profits of the bank, isn't that correct?

A. I think I don't know but I think that sounds right.

Q. Yes. Now, were there any tentative discussions with the Gallagher Group or anyone else around this time to sell off any land at Kinsealy, do you remember?

A. Not that I can recall but there is a reference here.

Q. Yes.

A. Which says that "He also mentioned Gallagher brothers builders would purchase portion..." I can't explain that reference but it would seem to indicate I must have been having some discussions with the Gallagher Group.

Q. And whether you were or you weren't, it would appear that Mr. Phelan seemed to think that anyway, that is Mr. Phelan reporting back what had been said to him by you?

A. That seems to be the case, yes.

Q. And if you were having dealings with the Gallagher Group around that time, who in the Gallagher Group would you have been having dealings with, do you think, Mr. Haughey in 1976.

A. I don't know. If the father, Mr. Matt Gallagher were alive, it would have been him.

Q. He was still alive.

A. Then it would have been him. But it's again, I am only it's a long, long time ago.

Q. Yes. And do you ever remember indicating to Mr. Phelan that perhaps the bank might make use of your influence to direct business their way?

A. I think I may recall something like that, yes. I couldn't say definitely I didn't but it would be you see at that stage, Mr. Coughlan, just let me remind you, I was, as you are aware, in the political wilderness, political isolation, this was in 1975, 1976, maybe not in 1976 but for most of the seventies I was just an individual deputy, I had no particular political standing or status so I would have been talking exclusively about my commercial context.

Q. I think that's what's recorded here. Notwithstanding your perceived view of yourself as a lonely political figure, I think you would accept, Mr. Haughey, that you had certain status nationwide at certain levels within, say, for example, the Fianna Fail Party, would that be correct?

A. If I may, I was certainly at that stage endeavouring to

build up a nationwide status or situation.

Q. Yes.

A. And being very active about it.

Q. Yes.

A. But I didn't hold any

Q. You didn't hold any office?

A. Nor any

Q. Or lean back bench or even shadow?

A. I see here, sorry, Mr. Coughlan, I just happened to notice

here on the top of this page, it says, where it's

describing me, it says "Opposition Spokesman on Health."

So I must have been reinstated to some extent at that

point.

Q. Yes. Well, what has been suggested in this memorandum is

using the influence in a commercial sense of directing

business and you were always a national figure, Mr.

Haughey, even in those days, isn't that correct?

A. Well I would certainly say a well-known person.

Q. And perhaps well-known not only in business circle and

there is nothing to suggest that there would be anything

wrong about directing a business to a bank or otherwise,

but that you would have had a degree of influence perhaps

to direct business towards the bank?

A. Among my friends.

Q. Yes.

A. Friends and acquaintances.

Q. Yes.

A. Though to what extent it was pursued, I couldn't be sure but I could, as a matter of fact I could visualise myself saying that to the bank as to my credit.

Q. The other side of that, I suppose, Mr. Haughey, might it be that Allied Irish Banks was traditionally known as the, I suppose, the small person's bank or the widow's and orphan's bank, it had these sort of designations over the years, isn't that correct?

A. Well you see it came from the Munster and Leinster bank which had a very, had its own very special tradition, it was basically a Cork institution and it had its own special traditions and indeed its own clientele I suppose and I suppose it was a rurally based bank and when I say that Mr. Phelan was the kind of manager I would see him in the old Munster and Leinster tradition manager.

Q. Yes. And would you agree that over this period you were endeavouring to establish a political base which took in a lot of rural Ireland as well?

A. Sorry, my political

Q. Yes, your political base nationwide?

A. Oh yes, but I don't, I don't think there would be any connection, because Munster and Leinster was a rural based bank, are you connecting my sorry I am

Q. I am just asking for your views in relation as much, Mr. Haughey, that

A. Sorry, I beg your pardon.

Q. Perhaps I'll come back to that when we get on to another

memorandum at a later stage, Mr. Haughey. But if I may deal with this particular document at divider number 23 now, it's from Mr. Casey, the senior lending manager, to Mr. Denvir, the area general manager, and it's dated the 30th September 1976 and it's:

"Charles J. Haughey, net debit balance, œ304,964, suspense interest, œ19,770.

Your report of today's date has been considered by the Banking Department Lending Committee.

As you will appreciate a final policy decision on the calling in of the debts or 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 repayments 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 unhappy position of the board having to consider at their meeting on Wednesday next the alternatives open to them for containing this unauthorized debt and bringing about its early clearance.

It is also seen as desirable 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 adequate. On the question of security, you should also firmly establish the amount now outstanding on foot of the first charge on the Abbeville and Rath properties.

We look forward to your further report and recommendation in the light of your interview, in order not matter may be submitted to the board. In the meantime, it is felt that you should seek the advices of the Group Law Agent concerning the giving of adequate notices and any other technicalities should the board be faced with alternatives embracing the calling in or legal containment of the debt."

Then I think the next document sets out the position in



relation to the accounts again and it's dated the 30th September 1976 and it is now showing that interest for half year to September 1976, €19,770, suspended as of September 1975 and March interest unpaid, (all interest at A loan account).

Preclosure balance plus interest for half year to September amounted to €272,980 pounds and current balance is €304,964 indicating that cheques totalling €32,000 were issued during closure. Debt has risen €118,000 in 12 months including interest additions €36,000 approximately, that is a net increase of €82,000 pounds approximately and then it sets out the summary of the securities.

"Major items: 1: Second charge (after NBFC €220,000) over Abbeville House and 250 acres Kinsealy, County Dublin, (cost €140,000 1969) and Rath Stud, Ashbourne, Co. Meath on 150 acres. Value in all: €1 million.

2: "Above properties in joint names L/G €190,000 of wife held.

A. Letter of guarantee.

Q. Letter of guarantee of €190,000 thousand with wife held.

3: Letter of guarantee €40,000 Larchfield Securities Limited supported by Deeds island off County Kerry, valued €20,000. Note: A term policy, €110,000 was to be obtained but Mr. Haughey has not yet provided it.

Assets: September 1975 figures, €1.2 million, i.e. Lands and bloodstock.

Liabilities: AIB, €304,964 NBFC, €300,000 approximately  
as far as we are aware being rolled over. Also  
probably owes ACC 20/30,000 not admitted.

Last formal sanction by Advances Committee April 1975, at  
total €173,776. Mentioned to local board by Mr. Denvir  
May 1976 at €246,871.

13th September 1976:

Meeting with Michael Phelan, Manager, Dame Street.

Proposed we roll up debt for seven years to be cleared then  
by sale of Abbeville, 2 and a half million pounds. 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  
mortgages.

14th September 1976:

Luncheon with chairman of Allied Irish Banks, (attended by  
D. Moyter, secretary AIB, Mr. M.D. Kennedy, regional  
manager Dublin west.) Above proposal aired again but  
chairman left Mr. Haughey in no doubt that bank could not  
entertain such a suggestion. Position of debt not  
discussed. Chairman's suggested desirability of realising  
sufficient assets to clear department.

Now suggested:

Mr. Haughey is calling to area office tomorrow and in view  
of alarming increase in debt in past year, and particularly

during bank closure, 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 account being made by auditors but personal accounts to be maintained in funds."

Now, the next document then is document number 25, Mr. Haughey, and it is a memorandum of the meeting at Oldbrook House on the 1st October 1976 with Mr. Haughey present on his own attended by Mr. Denvir, Mr. Phelan and Mr. Coyne, assistant advance manager.

A. Sorry, 26th September?

Q. Sorry I beg your pardon.

A. You have just read 25.

Q. I beg your pardon. Document number 25, I am sorry, it's the memorandum of a meeting at Oldbrook House on the 1st October 1976. I'll come back to that document again in a moment, Mr. Haughey, that I have just opened.

A. I am confused. It's 25 now?

Q. 25 now.

A. 25 is the memorandum.

Q. Yes. Of the meeting. Now, "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 over his cheque-books forthwith. At this point Mr. Haughey became quite vicious and told Mr. Denvir that, "he would not give up his chequebooks 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 due 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 agency, such as Pension Fund, taking over in charge and rolling it in for seven to ten 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 would be put in writing

the week after next, (he would be in Brussels all next week.)

1. Freeze debt now at, say, €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 Stevenson 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's 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 100 acres for residence and stud farm in view of Rath Stud. Land near Abbeville as green belt is making €5,000 per acre with a view to rounding off the 150 acres for sale, he has purchased nine acres for €32,000 from a neighbour due to be paid for end of November.

5. The sum of €10,000 per annum to be advanced by the bank each year for living expenses and 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 on no 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 repayment in full in the short-term."

Now, do you remember that particular meeting, Mr. Haughey?

A. I think I do, yes. I think I have a recollection of it.

Q. It was obviously

A. This is the one where the memorandum is

Q. Yes, it's a meeting on the 1st October 1976 at Oldbrook House. Does that memorandum reasonably record what happened at the meeting?

A. I don't think so.

Q. Very good. What do you think happened?

A. Well, as I recall and again I have no emphasise that I am not very clear or specific on details of it but as I recall there was something of a row at the beginning of the meeting and then what it says there, I think it would be true, having settled down somewhat, I think that, my recollection is that the meeting did take that turn but I have to disagree with the language used. I mean, I couldn't accept the term 'quite vicious'. Maybe angry but

Q. Well, very well. That is, if we could look at this so and

A. And I am sorry, Mr. Coughlan, I'd also like to add there,

they put, the author of this document puts 'very troublesome' in inverted commas as if I used those words but he doesn't put adversary so that he is not attributing that full phrase to me. Now, I would be prepared to accept that I was a troublesome customer, I think.

Q. Yes?

A. I think the, I think I would have to admit that I did cause the bank or these officials a certain amount of trouble from time to time.

Q. Yes. Well if we just look at it so and at the outset of the meeting, as you say you remember the meeting and I won't hold you to every detail at the meeting but you do remember the meeting, that did it commence with Mr. Denvir adopting a hard line and spelling out the bank's hard position about the debt, would that be?

A. Well taking that paragraph as a whole, I would be inclined to agree that if Mr. Denvir did, you know, take a hard line, be aggressive, then I would see myself reacting angrily.

Q. If we take it sentence by sentence.

A. Sum it up that way.

Q. If we take it sentence by sentence first of all.

A. Well I can't really remember, I can only give you my overall impression.

Q. Yes, well do you remember being asked for your cheque-books?

A. No, there was no dispute that I probably was.

Q. Now, the memorandum continues, "At this point Mr. Haughey became quite vicious," that is the recording of the personal view of the person who is making this memorandum, isn't that correct?

A. Yes, and it's

Q. You would dispute that you became vicious. You say you became angry.

A. It's certainly not banking language for a bank official to use, reporting

Q. Well would you agree or would you accept that you probably became a bit angry or annoyed when you were

A. Something like that, yes.

Q. And would you accept and it is attributed to you that you informed them you would not give up your cheque-book as you had to live?

A. That sounds reasonable. They had put this proposal forward a lot of times and it was never followed up.

Q. Yes. And would you agree that you would probably have used the type of language to them that they were dealing with an adult and that no banker would talk to you in that manner?

A. Looking back now, it seems silly sort of stuff to be engaging in but perhaps in the heat of the moment, something of that nature did occur.

Q. Yes. And the memorandum goes on to say that furthermore, he stated that if any drastic action was taken by the bank now, I take it that would you accept that the removal of cheque-books or dishonouring of cheques would,



in any person's language, amount to drastic action I

suppose, wouldn't you agree?

A. Well I wouldn't I would now, Mr. Coughlan, and I am sure

I don't think I would then have differentiated between what

drastic action might or might not have meant. It might

have meant taking, you know, instituting legal proceedings

or it might just have meant something like dishonouring

cheques or I don't know.

Q. Yes. Well any of those steps, I suppose, would you agree

in your own mind and I accept language here may or may not

have been yours, would have amounted to initiating legal

proceedings or dishonouring cheques or not supplying you

with cheque-books, that that is something which might have

caused you to express the view that you could be a

troublesome customer?

A. Again I am trying to reconstruct in my own mind what may or

may not have happened and I think the best assistance I can

give you, if it's of any assistance

Q. Yes?

A. would be that the man, Mr. Denvir, that he began being

aggressive and that I responded aggressively and that was

the meeting.

Q. Yes.

A. That's as fair a summing-up as I can recollect.

Q. Would you accept that you could have been a troublesome

and

A. I accept that I was a troublesome

Q. You were a troublesome customer but would you accept that could have been a troublesome adversary looking from the bank's perspective?

A. Again it's 30, 40 and it's another world to me at this stage, if I may say so, but trying to recollect as best I can, I do not think I would have used the word 'adversary' because in spite of all that happened, I may have been a difficult and troublesome customer but I wouldn't have visualised the bank and myself as adversaries. I think that's as far as I can put it.

Q. Well I appreciate that and what the Tribunal is attempting to ascertain is the picture from your perspective but you accept that whatever happened, the view of the bank, and this is being recorded for passing up the line in the bank, this is an internal memorandum, the view that the bank took away from that meeting was that you were a potential troublesome adversary?

A. I can't accept that, no.

Q. You can't accept that that would be a view that would be obtained from this particular document?

A. That I would convey that impression?

Q. I understand that that is your side of this particular meeting, Mr. Haughey, but looking at the memorandum, would you agree with me that the view of the bank appears to have been that that was what was conveyed to them rightly or wrongly?

A. One official.

Q. Well this of course was at a fairly senior level and it was going up the line, it was being recorded for the file, isn't that correct?

A. It was also, I said this before, Mr. Coughlan, you must also keep in mind the fact that this is an internal bank memo drawn up by one of the officials for the information of his superiors.

Q. Yes.

A. And it was never shown to me. I mean if it was going to be a serious document and used in the way that it is being now put before this Tribunal, the least might have happened is they would show me this after the meeting and say Mr. Haughey, that's our recollection of the meeting we had with you, do you agree to it? But that never happened. I am left somewhat in a position where these memoranda are drawn up, submitted, kept on file without my ever knowing their contents.

Q. Yes.

A. And decisions being taken with regard to me on the basis of these documents.

Q. Yes.

A. And I think you must have some sympathy with me in that situation.

Q. That's why the Tribunal is trying to get your side of this particular transaction, Mr. Haughey, to build up as complete a picture as possible for the assistance of the Tribunal.

A. I appreciate that. I am very grateful to the Tribunal because in this document here they have given me makes it very easy for me or as easy as possible to go back over these events and it's all set out for me.

Q. Yes. Now, you remember

CHAIRMAN: Well marginally, Mr. Haughey, we are past our two hour allocation, would it be your preference we might take some five or ten minutes whilst your mind is turned to this particular meeting to see if we could make some further progress of it rather than having to start off here again tomorrow?

A. Exactly. I am

Q. MR. COUGHLAN: Yes, but it any event, you do have a recollection of a heated meeting, if I could describe it that way, you do have a recollection of a heated meeting?

A. I suppose that's as good a word as any, yes.

Q. And rightly or wrongly, this particular memorandum or the use of these officials, superiors in the bank records the situation that it is the bank's or this official's understanding that you had indicated that you could be a troublesome adversary if certain steps were taken, that's what's recorded?

A. I am still objecting to the word 'adversary'.

Q. What I am asking you to consider here, I know you don't agree with that particular designation but that is what the bank is recording, is that correct, that's what this

memorandum records it as being?

A. That's their business.

Q. Yes, and that is the view the bank was taking of it, however they formed that view.

A. I can't say to you now at this stage yes or no what view the bank took of it.

Q. Well surely you have no difficulty about that, Mr. Haughey, because it's recorded here what the bank's view was.

A. It's one individual's, he is giving possibly an unduly influenced account so far as he and I had an exchange.

Q. Yes. I see. Did you ever hear subsequently or contemporaneously that anyone that was superior to Mr. Denvir had a different view in the bank?

A. Well I had, I don't know. Perhaps you should guide me here, I had lunch with the chairman of the bank.

Q. You did.

A. And certainly at that meeting

Q. two weeks previously.

A. That was a very friendly civilised affair.

Q. That was with Mr. O' Driscoll, the chairman of the bank, Mr. Moyter the secretary of the bank and a Mr. O'Kennedy attended to record what happened at the lunch.

A. Yes.

Q. Or to witness what happened at the lunch.

A. That was very, that was the chairman of the bank and I would think that he invited me to lunch, it must have been, and we had a pleasant lunch, as I recall it, and certainly

there was no indication that I was a difficult troublesome adversary or whatever.

Q. I think would it be correct to say at that particular lunch which was two weeks prior to this meeting, you had made a suggestion to the chairman that the indebtedness would be frozen at the then level, isn't that correct?

A. That's what the, what is recorded, yes.

Q. And would you agree with that, that you had made that proposal to the chairman?

A. I wouldn't disagree, let me put it that way.

Q. And of course, as you say, it was a polite lunch, that particular suggestion was refused by the chairman, isn't that correct? That particular suggestion of yours was refused by the chairman?

A. Yes.

Q. I take it it was at this time of your life perhaps unusual to have been invited to lunch by the chairman of the bank? You weren't in office, it wasn't anything official or anything of the kind.

A. I couldn't really say. I would be, in spite of everything, I would have been invited from time to time, well not very often but occasionally, to Dame Street for lunch.

Q. Yes.

A. By Mr. Phelan or whoever was the

Q. Yes.

A. But I didn't, I didn't take it as anything particularly condescending or racist or anything like that from the

chairman whom I knew by the time, I knew Mr. O' Driscoll.

He was known as Mono O'Driscoll.

Q. And Mr. Moyter?

A. Again he was one of those who came from the Munster Leinster Bank.

Q. But the purpose of the chairman and the secretary inviting you to lunch I think you probably readily established was not just about lunch, but it was to try and get your accounts under control, isn't that correct, or in urging you

A. I would actually seriously think in retrospect so far as I can recollect, is that was not the primary purpose of the lunch. It was a sort of a person-to-person meeting with the chairman.

Q. I see.

A. Maybe he thought that his influence would persuade me to be a better behaved customer. I don't know.

Q. Well, the record of or what's recorded in the documents again is what we are going from and we are anxious to get your view in relation to the particular lunch, it seems to be recorded that it was a working lunch because you made certain suggestions about freezing the indebtedness at that level at the time.

A. Insofar as I can recall it at all, in a sort of clear way, I don't think it was stipulated to be a working lunch.

Q. Yes.

A. It was just a lunch. In my view, the chairman of the bank

inviting a customer to lunch and I probably opportunistically availed of that opportunity to make a suggestion to the chairman which he, as far as I remember, quite politely refused.

Q. Yes.

A. Can we look back at the

Q. At the minute, yes?

A. Which one is it?

Q. It's document number 24. It's on the first page. It's the 14th September 1976, luncheon with chairman of AIB attended by J. Moyter, secretary AIB, M.G. Kennedy, regional manager, Dublin West.

"Above proposal aired again. The 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."

A. You see there again I think it's in some support of what I am saying, "position of debt not discussed". It would seem to bear out my recollection of the sort of meeting that it was.

Q. Yes. Do you remember the chairman's suggestion that you sell things to get the debt down in the bank?

A. Sorry?

Q. Do you remember the chairman suggesting that you sell some assets at that lunch, it seems to be recorded?

A. Not specifically but again I wouldn't doubt that he may



have said it.

Q. Now it's recorded within the bank, again rightly or wrongly, in that final line of that minute of the meeting of the lunch, that the chairman stressed desirable of realising assets, do you remember anything as strong as that?

A. No, I don't but I don't I wouldn't attach any great significance. I think that's just a phrase stressed, underlined, whatever. I wouldn't attach an awful lot of significance to it.

Q. Well you will appreciate, I think, that these documents were never intended for anything other than private bank use, that is an official reporting to his superior for somebody to work off down the along the line?

A. Well I don't know, they are before us here now.

Q. And you know how they appeared before us Mr. Haughey, don't you?

A. Sorry?

Q. You know how they are before us?

A. Sorry?

Q. You say they are before us but you know how they are before us, Mr. Haughey. You gave a waiver to enable us.

A. I know, I am not sorry, Mr. Coughlan, I am not disputing that at all but I am saying a report is a report and

Q. What I wanted to ask you is this

A. it could be used for any purpose.

Q. Are you saying that there may have been documents I

don't think you are, I don't think officials set out in the bank to create documents which would not convey a reasonable state

A. No.

Q. I don't think you are

A. Certainly not but there are impressions, you are asking me my impression and therefore ipso facto, there can be different impressions.

CHAIRMAN: Mr. Coughlan, I think we are over our mark and two hour module that have been intimated. Same time tomorrow? Very good. Thank you very much. Half past ten. Mr. Coughlan, my recollection was I had intimated there would be additional evidence, my recollection was there may have been some private meeting arranged for this afternoon.

MR. HEALY: There will be a sitting this afternoon, Sir, but it is the sittings from which you have intimated you intend to exclude the public because it's considered material relevant only to the investigatory phase of the Tribunal's work at this juncture so while you are sitting, it will not be sittings to which the public will have access.

CHAIRMAN: Insofar as you are making a specific application under the Act or

MR. HEALY: Yes, it will be necessary in the afternoon for

you to make an order under Section 2 but in ease of members of the public and anybody here, there's no point in my telling people that there's going to be a public sitting because the application or the Order that will have to be made is one which you are satisfied should be made in circumstances where information may be ventilated which would ultimately never prove to be of any relevance to the public sittings and therefore an Order under Section 2 would be appropriate, it can be made now if necessary if you see fit.

CHAIRMAN: In any event, whatever rule is made, there will not be actual public sittings this afternoon. Very good. As regards the public resumption of the plenary sittings, half past ten tomorrow morning.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY FOR PUBLIC SITTINGS, TUESDAY, 25TH JULY 2000.