

THE TRIBUNAL RESUMED AS FOLLOWS ON WEDNESDAY, 26TH JULY

2000 AT 10:30AM:

CONTINUATION OF EXAMINATION OF MR. CHARLES HAUGHEY BY MR.

COUGHLAN:

Q. MR. COUGHLAN: Mr. Haughey, I think the next document I

would like you to look at is at divider number 39 and it is

a memorandum of Mr. Phelan and it's dated the 19th February

1979 and it's headed C.J.H.. "By appointment arranged at

his request, met C.J.H.

MR. McGONIGAL: Mr. Chairman, I wonder if I could just

seek some clarification. The document that we finished

with yesterday was the document of the 1st December 1978.

CHAIRMAN: Yes.

MR. McGONIGAL: And if you go to document 43, you will see

that there appear to have been a number of contacts or

communications between the 1st December 1978 and the 19th

February of 1979.

CHAIRMAN: Yes.

MR. McGONIGAL: Some of which appear to bear on matters

which Mr. Coughlan was dealing with yesterday.

CHAIRMAN: Yes.

MR. McGONIGAL: And should be taken prior to dealing with

the meeting of the 19th February of 1979.

MR. COUGHLAN: I have no difficulty with that, Sir.

MR. McGONIGAL: For example, if I take you to the 8th February 1979.

CHAIRMAN: Yes.

MR. McGONIGAL: There seems to be to be a reference there to Mr. Haughey contacting the bank manager to say he was seeing Mr. Traynor.

CHAIRMAN: Yes, that's pertinent.

MR. McGONIGAL: It seems to get the sequence right

MR. COUGHLAN: I have no difficulty in talking about those, Sir. Perhaps so, Mr. Haughey, if we go to the document at divider 43 before we deal with the document at divider 39, up to that particular date. This document is setting out a history of dealings in relation to your accounts and the first entry is on the 24th July 1978.

"I telephoned bank manager. C.J.H. has arranged appointment at branch for 27/7/78 at 10:30am.

Later - meeting did not take place.

27/11/1978: I telephoned bank manager. He is to come back within a day or so with some indication as to when C.J.H. would be brought in.

29/11/78: Manager met C.J.H. in Aras Mhic Dhiarmada. Not

satisfactory in so far as C.J.H. queried as to what proposal we wanted and rambled into the area of interest. Bank manager turned tables and requested that C.J.H.'s proposals and any discussion on interest would fall for consideration in the light of such proposal.

December and January 1978 - no contact."

Then there is, it must be December 1978 and January 1979 I think would be the correct reading of that particular entry.

"1st February 1979: C.J.H. telephoned bank manager to say "he wasn't forgetting him" and would contact 'later'- didn't.

6th February 1979: C.J.H. telephoned bank by branch manager who expressed his disappointment at further procrastination. C.J.H. promised to come to the branch 'this week'.

The 8th February 1979: C.J.H. telephoned branch manager to say he was seeing Des Traynor (Guinness & Mahon) on Saturday or Sunday and would be in Dame Street on Monday or Tuesday.

13th February 1979: Position reported verbally to JJ Clifford, senior lending manager."

And then the next entry relates to the document I think

which is at divider number 39. So I'll then go to divider 39 in a moment, Mr. Haughey, but would you first of all, do you have a memory of that sequence of events leading up to February of 1979?

A. Well, in a lot of them, I wouldn't be concerned - not so telephone conversations between other people.

Q. Other people, yes. There were some references to telephone conversations with you and I think perhaps about three in the space of eight days from the beginning of February?

A. Yes. I wouldn't have a recollection

Q. Of the detail of those.

A. No.

Q. But would you agree that that was probably what happened?

A. Could have, I would say it could have been happening.

Q. Yes. Is there anything on that list before I open the document at divider number 39 that you wish to draw to the attention of the Tribunal since your counsel asked that I open that quite correctly before I open the document at divider number 39?

A. Well perhaps I might just mention the entry for the 8/2/1979.

Q. Yes.

A. When apparently I telephoned the bank manager to say I was seeing Des Traynor on Saturday or Sunday and would be in Dame Street on Monday or Tuesday.

Q. Yes?

A. So it would seem that that physical meeting with Mr. Des

Traynor, if it happened, I am sure it did, preceded the 19/2 and probably influenced the meeting of the 19/2. In other words, whatever discussion I had with Mr. Traynor would have had a bearing on my meeting with the manager on the 19th. That's the only thing.

Q. Yes. And what position you might have adopted. I presume you met Mr. Traynor and there's no reason to believe you didn't, you would have discussed matters with him, he would have known you were going to see the branch manager and you would have discussed how that might be approached I presume?

A. As I would usually do.

Q. Yes.

A. From time to time.

Q. Yes. In any event

A. Sorry, could I emphasise that point. I think we have already got evidence that Mr. Traynor was in touch with AIB directly and handed in a letter.

Q. Authorising them to deal with him or to speak about your affairs with him?

A. So that he was fully cognizant of the AIB situation at this point and therefore I would have discussed probably almost certainly would have discussed it with him.

Q. I see. Now, I am just trying to, if I could just try and put, for the assistance of the Tribunal just clarify matters in that regard, Mr. Haughey.

A. Of course.

Q. In 1975 Mr. Traynor handed in a letter obviously from you authorising AIB to discuss your affairs in relation to your account with them with Mr. Traynor, isn't that correct?

That's what the documents indicate, in 1975.

A. That's correct, yes.

Q. And I think the documents probably indicate that there would have been some discussion between Mr. Traynor and Allied Irish Banks at that time which would have made him fully au fait with their position and the state of the accounts I presume, would you agree?

A. Yes.

Q. I think on the documents record that again in 1975, Mr. Traynor accompanied you to a meeting with officials of Allied Irish Banks and participated in a discussion involving the officials, you and him, would you agree with that.

A. Yeah, I am taking your word for that

Q. That's what the documents seem to indicate?

A. Yes, I think

Q. Yes, we have been through that.

A. We have looked at that already.

Q. Yes. And now we come to February of 1979 and the documents seem to indicate that you, having contacted the branch manager on the 8th February 1979, informed the branch manager that you were going to have a discussion with Mr. Traynor over the following weekend, either Saturday or Sunday, isn't that correct?

A. That's correct, yes.

Q. And then you attended a meeting on the 19th February 1979 with Mr. Phelan, isn't that correct?

A. That is correct, yes.

Q. And I think you would agree, Mr. Haughey, would you not, that just in case we have overlooked it, there does not appear to be any other document in the documents made available to the Tribunal by Allied Irish Banks and furnished by the Tribunal to you which shows any other contact between Allied Irish Banks and Mr. Traynor between 1975 and 1979.

A. Well, the only thing I can say about that is I mentioned to you yesterday that I wouldn't at all accept that there would be, even though we have not access to any AIB internal memorandum about it, I wouldn't accept at all in that period Mr. Traynor would not have been in touch on my behalf with AIB because you recall he was in touch about the Zurich situation in 1974.

Q. Yes.

A. And he was again in touch around 1975, the letter of the 3rd March.

Q. Yes.

A. So that he, as I have said on my behalf, would be constantly aware of the bank situation and perhaps been in touch about it but I'd just like to mention, you mentioned '75 I think, am I right in thinking that for the most of 1975 or 1976 there was no contact at all between either me

or Traynor with AIB, there was no memoranda of any meetings for a whole year?

Q. I think that is probably post 1976 for a period of time when proposals were supposed to be made in relation to reducing or clearing the indebtedness and you were allowed a two year period, I think that that is probably that period, Mr. Haughey.

A. Mr. Coughlan, you indicated yesterday evening at the end of our session when I wasn't perhaps as alert as I might have been, that for, I think the way you put it, for three whole years there was no contact by Mr. Traynor with AIB.

Q. No, Mr. Haughey, I never said anything of the sort. Just to be very clear, what the Tribunal is attempting to, the Tribunal is not making any case against you, Mr. Haughey. The Tribunal is inquiring. What I said to you was that on the documents, that there is no evidence on the documents that Mr. Traynor had any dealings with Allied Irish Banks between 1975 and now coming into 1979. That is in 1976, '77 and '78.

A. If I might make a point in this connection, that for one of those years, there was no contact apparently anyway, between myself or Mr. Traynor with AIB.

Q. Yes.

A. For a whole year. I just make that point for what it's worth and also if I just make the point again that even though we have no AIB memoranda for particular periods does not mean that there would not have been contacts either

informal or otherwise between either myself and the bank or between Mr. Traynor and the bank.

Q. You mean officials of the bank?

A. Yes.

Q. I see.

A. I am just making that point.

Q. And are you making that point by way of speculating as to what must have happened or do you have a recollection yourself?

A. No, I don't have any recollection, Mr. Coughlan but I am just saying that in the circumstances of Mr. Traynor having been in, having handed in a letter familiarising himself with the whole situation, that it is probable or possible that he would have been in touch from time to time with the bank, at one stage a fellow banker, but I am just making that

Q. Well perhaps in fairness to you, I will come to a document in a few moments which may assist you on that particular speculation and we can deal with it then, in fairness to you, I don't want to ask you questions to put you in a position of adopting a particular position at this stage.

A. Thank you very much.

Q. Now, I think that this memorandum is Mr. Michael Phelan's memorandum and it's dated the 19th February 1979 and it's headed C.J.H. and it reads:

"By appointment arranged at his request, met C.J.H. this morning at the Department of Social Welfare. At the outset

he again referred to the high interest charges on the account and he would like to know what kind of concession would be granted by the bank. I referred to my previous reply to his similar question, that it would be a waste of time asking the bank to state a figure in the absence of a concrete proposal for dealing with the debt but I did state that the existing interest charge for the period from September 1976 up to September 1978 of œ196,000 included a surcharge of approximately œ40,000, that I would be confident of a favourable reaction to scrubbing that amount but whether the bank would go any further or not would be difficult to say. His immediate proposal towards reducing the debt would be in the amount of œ200,000 and to my inquiry as to the source of this sum, he said that he could trim off portion of Abbeville (portion up near Feltrim Quarries) and seemed to be indicating that a sale of 10 acres would realise a quarter of a million pounds. At this stage he waffled a bit about a recent sale of a field across the road from Abbeville at a very high price and also about the recent sales of building sites in Malahide at a sum of œ25,000 per site.

Apart altogether from any monies from the sale of lands, he told me that from a development in Baldoyle, which was now coming to fruition, there would be a sum of œ200,000 coming to him. He expected this amount to be available in a month at the outside and from the conversation it looks as if this is the reduction he intends to make in his debt here.

The tax implications of this £200,000 was, according to him, a question which needed some consideration.

The client stated at this stage that he was anxious to get the debt here down to manageable proportions on which he would be able to meet the annual interest from his income. He had, he said, now got the bloodstock and farm operations developed sufficiently to yield a combined annual income of £30,000 approximately, which, he said, "would allow him to live in the manner to which he had become accustomed" and that accordingly, there should be no need for any further drawings on the stud account. He admitted that if he had the debt down to manageable proportions on which he could pay the interest, that he would hope to allow the debt to continue for an indefinite period and be cleared eventually from sale of further portion of Abbeville.

I pointed out that £200,000 reduction in the existing debt even taking only the capital sum (ignoring the £196,000 interest) would leave a capital sum of approximately 360 to 370 thousand pounds outstanding, which would incur an interest charge well beyond his capacity to meet. He admitted this to be so and said he would have to give the matter further consideration. He suggested that we would have a further meeting about a week hence and asked in the interim that I would investigate the question of the interest. I promised to do so but that I was extremely doubtful that I would have any answer for him at that

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

Do you remember that particular meeting, Mr. Haughey, with Mr. Phelan?

A. Not in any detail, no.

Q. This was a meeting which again he attended you at your office in Aras Mhic Dhiarmada, is that correct?

A. Yes, I noted he followed a very likely meeting between myself and Mr. Traynor which would probably have influenced my approach to this particular meeting.

Q. Well I take it and you quite generously and readily accepted yesterday that Mr. Phelan is a man whom you held to be of the highest honour and would record matters reasonably accurately. Would you agree?

A. Of course. Subject to the usual, what would I say, loss of memory, or whatever. As I say, he is my point again that these memos were never shown to me, ever confirmed by me as a record of what happened but subject to that, I would have no quarrel with Mr. Phelan on his record.

Q. On his record as representing a reasonable account, not a verbatim account necessarily because it's not a contemporaneous note but a reasonable account.

A. As has been already noticed from time to time, there has been little mistakes, minor mistakes in these memoranda.

Q. Minor mistakes. None of them seem to be attributed to Mr.

Phelan though, is that correct?

A. I couldn't say but I am just talking about them in general.

Q. Well I was talking now about Mr. Phelan who was a man you accepted as being of the highest honour and that he would be, attempt to be as accurate as possible in his recording?

A. Of course.

Q. Now, can you remember making a suggestion that you might be able to reduce the indebtedness by about €200,000 at that time?

A. I can't remember but I accept it.

Q. Yes. And does it seem likely that you might have, Mr. Phelan perhaps on the first page of this memorandum perhaps takes a bit of a liberty when he using the expression "At this stage he waffled a bit" but it seemed to me that there was a discussion which took place between you and Mr. Phelan in respect of a reduction of the indebtedness by €200,000 which was some way related to the possibility of disposing of about 10 acres at Abbeville perhaps in the region of the Feltrim side.

A. Yes.

Q. Would you accept that?

A. Yes but just before that, perhaps it's of interest that for the first time here in this, Mr. Phelan seems to be taking or putting forward a view about interest.

Q. Yes.

A. And he admits that there was a surcharge of approximately €40,000. This is a staggering figure I think.

Q. Yes. Well

A. And somewhere else here in this documentation it emerges that the rate of interest being charged at that time was 21 percent.

Q. Yes. Yes.

A. So but here I think, as I see it from this memorandum, Mr. Phelan seems to be taking a sort of a more amenable approach for something to be done about that interest charge.

Q. Yes. I have no brief on behalf of Allied Irish Banks, let me assure you, but the interest charges which are mentioned there of €196,000 seem to be a rolled up interest over a period and relate to the fact that half yearly interest payments which you had undertaken to pay in the preceding two years had not been paid and the surcharge perhaps relates to that. I am uncertain about that but you had paid no interest on your indebtedness in the preceding two years, there was a roll-up of interest and the surcharge seems to have emerged in that particular context?

A. Yes.

Q. And I think what Mr. Phelan is indicating here is that the surcharge might be scrubbed but that the interest which was due would still be looked for. I think that was what was being indicated, is that right?

A. Yes, but I am just trying to think of what both of us were trying to do I think, it would seem to me that perhaps arising out of my meeting with Desmond Traynor before this

meeting, that he might ask or suggest to me that I raise these interest matters.

Q. Yes.

A. And this is the first time that I became aware of this surcharge.

Q. Yes.

A. And that may have arisen out of Mr. Traynor's investigations or discussion with the bank or something.

Q. I see.

A. But it is a pretty I mean the rates of interest were high enough at 16 or 18 and a half percent but then they had a surcharge on top of that seems pretty extraordinary to me at this stage looking back.

Q. I see.

A. Particularly as I was never told anything about it.

Q. Yes. And does that in any way affect your view about the accuracy of the record of the meeting?

A. No, not really, no, it's just the

Q. Yes, the level of interest, yes.

A. The level of it and the, what would I call it the crucifying aspects of it, that apart from what I was being criticised, to put it mildly, by the bank for having drawings, excessive drawings, at the same time they were piling on very very penal rates of interest.

Q. Again, as I say, Mr. Haughey, I have no brief for Allied Irish Banks. These were interest rates that you had agreed to of course

A. No, sorry, I never agreed to them, they were just handed down. I mean I wouldn't even know, except from these memoranda, what the actual rates of interest were at the time.

Q. Well I think in 1976, you agreed to certain interest rates, is that right? In 1976 when the letter of facility was accepted by you, you agreed to certain interest rates?

A. Perhaps.

Q. Isn't that correct? And like every other customer

A. I

Q. I beg your pardon?

A. What I am saying is I didn't ever consciously agree to rates of interest in discussions with bank managers or that sort of thing. It was pointed out to me correctly that I agreed to that letter but I am sure I didn't refer to the particular onerous rates of interest included in it.

Q. There were probably the rates of interest, I don't know, that applied to most customers of the bank who had borrowings at the time. I haven't gone into the detail of the day-to-day movement on interest rates over that period, Mr. Haughey, but they were the interest rates you entered into an agreement with the bank

A. Yes, I accept that.

Q. in relation to a certain level of indebtedness and you agreed to certain interest rates. That's all. I just wanted to establish that as a fact and I don't think you are suggesting for a moment that having entered into such

an agreement, that the bank was not entitled to charge the interest rates?

A. Sorry, I have to ask you to your memory here, that letter to which you are referring apparently set out the interest, I don't think it said anything about a surcharge, did it?

Q. That is correct, that is correct.

A. This is the first time we have a surcharge here.

Q. Yes. That is correct and you are talking about €40,000 surcharge which Mr. Phelan had indicated would be, he believed would be scrubbed?

A. Could be.

Q. Yes. Now, just from our examination of the documents, it would appear, again for your assistance, that the surcharge came to be applied after the failure to meet the half yearly interest payments, just for your assistance, Mr.

Haughey. I just

A. Thank you

Q. tell you that, and having discussed the question of interest and of course it's a legitimate business dealing to have such discussion and to try to see what best deal you could obtain for yourself on the question of interest, of course, I take it that you have no difficulty with the remainder of that particular paragraph that there must have been a discussion about the possible reduction of the indebtedness by about €200,000 arising out of the sale of some land at Abbeville at the Feltrim side, would you agree?

A. Yes, that's probably likely, yes.

Q. Yes. And whilst I say the inelegant expression 'waffled' is used, can I take it that it is probably you would have given Mr. Phelan some anecdotal evidence of, say, building sites going in Malahide for around €25,000 and matters of that nature?

A. I wouldn't be inclined, I wouldn't doubt it at all.

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

A. I have no recollection of that, Mr. Coughlan. I think there must be some confusion there. The only real possibility I had of making any contribution would be from the sale of Abbeville lands. I don't understand the other reference.

Q. Well again I take it it is a fairly specific statement by Mr. Phelan who is reporting to his superiors?

A. It is, yes.

Q. I take it that your overall view is that Mr. Phelan would reasonably accurately describe the meeting and there is a reference to a development in Baldoyle, a specific place?

A. Yes.

Q. There is a sum of money of €200,000, again fairly definite sort of statement, a time frame in which it was expected that that sum of money would become available, and then as one might expect in such circumstances, a discussion about the tax implications in relation to that sum. It's a fairly detailed note of a discussion, would you agree, Mr. Haughey?

A. Yes, I accept that but as I say, I have no recollection of it, nor can I understand to what it could refer.

Q. You have reason to doubt but that Mr. Phelan was recording what he was told?

A. No.

Q. You yourself have no recollection of what it could refer to, is that correct?

A. No.

Q. Can I take it that it could have referred to something but you just do not have a recollection of what it might have referred to?

A. Yes, I think that would be, you could say that.

Q. So that

A. But it does, sorry, it does seem out of the normal, it hasn't ever been mentioned before and it doesn't seem I am speaking there in terms of say let's sell land at Abbeville and it doesn't seem to be related to anything else in particular.

Q. There are two distinct matters which appear to be recorded

as having been discussed. One is the possible sale of land at Abbeville to realise perhaps about €200,000 and now some development in Baldoyle which was expected to yield a return of about €200,000?

A. Well the only suggestion I can make here, Mr. Coughlan, is that there may be some confusion between two amounts of €200,000. It's an unlikely coincidence you would be talking about two separate amounts of €200,000 and that there might be some cross confusion. I mean, I am just noticing, as you pointed out yourself, Mr. Phelan does talk about my waffling about price of land and so on. I can't offer any other explanation.

Q. Well if I might take that paragraph, that is the second paragraph, he seems to, according to the memorandum at least anyway, there doesn't appear to be any confusion in Mr. Phelan's mind because he said "Apart altogether from any monies from the sale of lands" - from the sale of lands - "He told me that from a development in Baldoyle which was now coming to fruition, there would be a sum of €200,000 coming to him." Now, that seems to record that there would be €200,000 coming to you other than from the sale of lands. Does that help your memory in any way?

A. No, it puzzles me. It puzzles me. I cannot recall what it might have been.

Q. I see.

A. And

Q. Did anyone indicate that when a development at Baldoyle had

come to fruition, that they might be in a position to either do a deal with you, make a contribution to you

A. Nothing of that sort.

Q. You can be definite in your recollection of those?

A. Reasonably definite, yes.

Q. Reasonably definite.

A. Yes. In other words, I cannot recollect making this statement to Mr. Phelan, though I accept what you say that he must have believed that I said it but if I did say it to him, I cannot reconcile as to what it could possibly refer.

Q. I see. At this remove?

A. At this remove.

Q. But you are not ruling out that it could have referred to something of that nature?

A. Well all I can say about that is Mr. Phelan obviously believed that I did talk to him about something of this nature.

Q. But what I am asking you, whilst you have no recollection at this remove, you are not ruling out that it could have referred to something specific at that time?

A. It could, because I don't remember, yes.

Q. I take it that you had these documents for some time and no doubt you have been considering them for the purpose of assisting the Tribunal at some stage, is that correct?

A. At best I could, yes.

Q. And over that time, have you considered or thought about any development that would have taken place in Baldoyle

which might have yielded anything to you?

A. Nothing that I was in any way involved in or connected with.

Q. Or that anyone had indicated that as a result of a development coming to fruition, that any monies would be paid to you?

A. Definitely not.

Q. So, you can definitely rule out a direct involvement in any development in Baldoyle?

A. Absolutely.

Q. You can definitely rule out a development with which you were connected?

A. Absolutely.

Q. But do you leave open a possibility that something, some development may at the time have been going on in Baldoyle which may have yielded you €200,000?

A. Only insofar as you put it yourself, Mr. Coughlan, only insofar as I cannot recollect, therefore the other side of that coin is that if I can not recollect, I have to admit that that there could have been.

Q. Very good. And if, as is recorded here, that there was an expectation as is recorded here, it would seem reasonable, I suppose, in having a discussion with a bank manager, to discuss the likely tax implications of something because that would affect the net yield which might be available to Allied Irish Banks, isn't that correct?

A. Sorry, would you just say that again?

Q. If, as is recorded here, and you cannot rule it out, that a discussion took place along the lines as is recorded by Mr. Phelan, I am asking you in those circumstances, would you accept that it would be reasonable that a mention of the tax implications on such a sum might be discussed because that would affect the monies which would be left available to reduce the indebtedness?

A. The only thing I can say about it, Mr. Coughlan, is that it seems to arise here out of the blue in all the discussions, there has never been any reference to it before.

Q. Yes?

A. And subsequently, it never materialised and nothing ever arose from such a situation as described here.

Q. I see.

A. So it does puzzle me, genuinely puzzles me as to where it could have come from into this context, it had never been there before and as far as I know, it had never, nothing ever happened about it afterwards.

Q. I see.

A. And if it were something real, I am sure I wouldn't have forgotten all about it.

Q. But could somebody have promised you €200,000, for example, at that time which did not come to fruition?

A. Certainly not, no.

Q. You can be definite about that?

A. I am certainly definite.

Q. Definite?

A. Very definite.

Q. It seems unlikely, would you agree, Mr. Haughey, that Mr. Phelan would have made this up?

A. Well it does, yes. But on the other hand, I have to say he did, the previous paragraph refers to me as waffling on about lands and so on.

Q. Could you have been waffling on about something like this to him?

A. That's I have said to you I cannot recollect and therefore I cannot rule any possibility of it out.

Q. I see. Well I am just trying to exhaust all avenues.

A. I fully understand that and I am trying to be as helpful as I can.

Q. Yes. Just in that regard, of course, I would draw your attention to the fact that there are, the reference to waffling is in a different paragraph and relates to the price of land. I just draw that to your attention.

A. Yes, but it's at the same meeting. I mean if one waffles

Q. There's no characterisation of this by Mr. Phelan as being waffle.

A. But if one waffles at a meeting, one waffles.

Q. And then if we continue to the rest of the memorandum on the second page. "The client stated at this stage that he was anxious to get the debt here down to manageable proportions on which he would be able to meet the annual interest from his income." Would you accept that that

discussion perhaps took place between you and Mr. Phelan?

A. It seems very reasonable.

Q. Yes. "He had, he said, now got the bloodstock and farm operation developed sufficiently to yield a combined income of \approx 30,000 per year approximately which he said "would allow him to live in the manner he had become accustomed" and that accordingly, there should be no need for any further drawings on the stud account." Would you accept that that is a reasonable record of what transpired between yourself and Mr. Phelan?

A. The only thing I can say about it is it has the ring of truth.

Q. Very good. "He admitted if he had the debt down to manageable proportions on which to pay the interest, he would hope to allow the debt to continue for an indefinite period and would be cleared eventually from the sale of a further portion of Abbeville." Again, would you accept that that has the ring of truth about it?

A. Yes, I think so. I am reluctant to say this might be in the waffle department.

Q. I see.

A. I have to accept that Mr. Phelan would record it as he saw it.

Q. Yes. This was a very serious situation, both for you and the bank, wasn't it, Mr. Haughey?

A. In what way?

Q. Well your indebtedness was now at a very high level. The

bank was owed an awful lot of money, it was a very serious commercial consideration for both you and the bank, isn't that correct?

A. Of course, yes.

Q. This was a serious meeting.

A. Yes.

Q. With a serious branch manager and a serious client, isn't that correct?

A. Yes, it was one of many, many meetings.

Q. A meeting which you had prepared for the previous weekend by having a meeting with Mr. Des Traynor and that you informed us discussed your position and that this would have informed the position you adopted at the meeting with Mr. Phelan on the 19th, isn't that correct?

A. Correct, yes.

Q. And then the final paragraph of the memorandum continues, "I pointed out that a £200,000 reduction in the existing debt even taking away the capital sum (ignoring the £196,000 interest) would leave a capital sum of approximately 360 to 370 thousand pounds outstanding, which would incur an interest charge well beyond his capacity to meet. He admitted this to be so and said he would have to give the matter further consideration. He suggested that he would have a further meeting about a week hence and asked in the interim that I would investigate the question of the interest. I promised to do so, while I was extremely doubtful that I would have any answer for him on

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

Again, do you have any quarrel with any of that?

A. Not really, no.

Q. Do you accept that anyone looking at this document and bearing in mind, first of all, your acceptance that Mr.

Phelan is a man who would have attempted to accurately record what transpired at a meeting with you, the fact that you accept that many portions of this document have the ring of truth about it, that anyone in those circumstances would view this document as being in total or in its whole as being a reasonably accurate account of what transpired at this meeting with you?

A. The only thing to say about that, Mr. Coughlan, that I would have, I think I have already indicated, complete trust in Mr. Phelan as my bank manager and as my friend.

Q. Yes. And the one thing that you can say about the document is in that portion or that paragraph relating to a development at Baldoyle, that you have no recollection of that?

A. No, that's not the only thing in the document I have no recollection of. I don't recall the business about recent sale of field across the road at a very high price, that particular portion.

Q. Yes?

A. I am agreeing with the general thrust of the document but

not with the particular details.

Q. Yes. And you accept that because you have no recollection, that you may have told Mr. Phelan about a development at Baldoyle which would yield you €200,000, is that correct?

A. Well I am trying to be as precise as I can, Mr. Coughlan, and that is what I would say is I believe Mr. Phelan believed that this conversation took place. What I am saying is that I cannot recollect it and as I cannot recollect of the sort, it follows that I cannot totally completely insist that such a thing could not have happened.

Q. Yes. And

A. I can't put it any further than that.

Q. I'll just take it a step further, you have no recollection of any development in Baldoyle which might have yielded you this sum or any sum but you cannot rule that out, is that correct?

A. No, I have said that I have never had any connection with any development in Baldoyle.

Q. Yes. The document doesn't and again the document is fairly accurate or fairly precise in how it describes matters if we can go back to that particular paragraph again, Mr. Haughey. "He told me apart altogether from any monies from the sale of lands, he told me that from a development in Baldoyle which was now coming to fruition, there would be a sum of €200,000 coming to him." The document does not record that you suggested that you had

any connection or interest in this development, would you agree?

A. I think you asked me that question.

Q. Yes, after you had indicated that you had no connection or interest, I then asked you, Mr. Haughey, but the document itself does not suggest, would you agree, that you had a connection or an interest in any development in Baldoyle, would you agree?

A. I think that's the reading of it, yes.

Q. And what I am asking you, in those circumstances as you have no recollection (a) of this particular conversation or (b) of having any connection or interest in a development in Baldoyle, that what I'm asking you in those circumstances is that you cannot rule out that you may have been promised or some indication that something would come to you from a development?

A. I don't think I don't know I don't think I said that.

Q. No. I am asking you.

A. I am fairly clear that I have never had any connection, apart from I am very clear that I never had any connection with any development in Baldoyle and I think you also asked me did anybody promise me money, €200,000 and I am quite clear that that did not happen either.

Q. You are definite about that?

A. Yes, quite definite.

Q. And you have a recollection of that?

A. Well my recollection is that I am quite clear.

Q. Right. And again Mr. Phelan is being quite specific that the money is to be available within one month?

A. That is obviously nonsense.

Q. Well was it?

A. I mean not nonsense on Mr. Phelan's part but if I, I don't think I could have said anything of that sort because no such thing ever happened.

Q. And then Mr. Phelan records a discussion in general terms about tax implications.

A. Yes.

Q. Very good. Now, you prepared for this meeting by having a meeting with Mr. Traynor either the previous Saturday or the previous Sunday, isn't that correct?

A. Prepared might be pushing a bit far. I discussed the situation with Mr. Traynor in advance of the meeting.

Q. Very good.

A. Yes, and I am sure he would have given me some advice or suggestions as to what way I should handle it.

Q. And you were aware of the state of your affairs when you had this discussion with Mr. Traynor, isn't that correct?

A. I was aware which?

Q. You were aware of the state of your affairs when you had this discussion with Mr. Traynor?

A. Oh yes.

Q. And when you attended this meeting in February of 1979, you were aware of the state of your affairs

A. Yes.

Q. with Allied Irish Banks. And you were aware of what general strategy you might adopt at this meeting with the branch manager, isn't that correct?

A. Well it seems from the memorandum that it's the likely assumption that I would have come to that meeting anxious to do something about interest rates or the accumulation of interest. That seems to have been the first thing we discussed at the meeting.

Q. Yes.

A. And I would almost certainly reasonably assume that that was the result of advice from Des Traynor.

Q. Yes. And was that your only interest in attending the meeting, do you think?

A. I would think it would be the only, it would be my principal interest attending that meeting but otherwise, if Mr. Phelan wished to see me and the request to see me as particularly I think the document shows that he had been trying to get in touch with me on a number of occasions prior to that.

Q. Just to be fair to yourself, Mr. Haughey, I think the document commences "By appointment arranged at his request," that's your request.

A. Yes.

Q. "... met C.J.H. this morning at the Department of Social Welfare."

A. Sorry, Mr. Coughlan, before that point, there had been in the record a number of attempts by him to arrange meetings

with me. So I am just making the point that I was fulfilling my obligation to him by having this meeting in view of the fact that he had been seeking to see me for a long time and I had been putting him off.

Q. Yes. Now, the next document, if I go to, I think I'll go to number 43 which is the one we started with this morning, Mr. Haughey, and I think we have read through the history up to the time of this meeting as recorded by Allied Irish Banks and then the final entry on the first page relates to that particular meeting, isn't that correct and then there's a resume "Meeting between manager and C.J.H. at Aras Mhic Dhiarmada at 10am. C.J.H. hinted

A. Where are you now,.

Q. It's the bottom, divider number 43, Mr. Haughey, the one we started this morning.

A. The 19/2/1979.

Q. Yes. "Meeting between manager and C.J.H. at Aras Mhic Dhiarmada at 10am. C.J.H. hinted that that he might sell part of the lands at Abbeville for, say, €250,000 and provide a further €200,000 from another deal in Baldoyle. Would then ask bank to allow residual €300/€400,000 indefinitely pending further land sales in course. Appeared anxious to get debt down to 'manageable' proportions."

Then we go over the page, 23/2/1979: "Meeting at Oldbrook House between AGM," - that's assistant general manager - "Central and Area Advances controllers and branch

manager. C.J.H.'s suggestions 'not on'. Agreed that account should be left with branch manager who would propose to C.J.H. that he might consider a land deal under some guise with a member of the Gallagher family."

March, May 1979" I beg your pardon?

A. I just draw attention there to the fact that the bank at this stage seemed to be prepared to leave the whole business with the bank manager, it's a change in their attitude. Am I right in that?

Q. I don't know, Mr. Haughey, but just from the evidence which has been before the Tribunal from Allied Irish Banks' witnesses, it would appear that the branch manager wanted somebody up the line to give him instructions in relation to matters and it was being sent back down to him. That appears to be, that's the factual situation as has emerged at the Tribunal so far.

A. Yes but it's, I think I don't know how important it is but it does seem to me that there is a change here, I am just reading it out "Agreed that A/c should be left with bank manager who would propose to C.J.H. that he might consider land deal under some guise with a member of the Gallagher family." And I just think that's a significant change in the attitude of the bank. First of all, they are leaving it with somebody who is perhaps my friend to deal with and secondly, that they are proposing the, the bank seem to be proposing, suggest putting a proposal to me that

I should deal with the Gallagher family for the sale of land.

Q. Yes. That was the whole I think that had arisen in earlier memoranda where you had made suggestions at some stage that you might be in some negotiations with the Gallagher family?

A. Did we mention that?

Q. I think you did, I don't think anything much turns on it but I think you may have mentioned it somewhere along the line.

Now, I think the next entry then is:

"March/May 1979: Protracted efforts on branch manager's part to pin down C.J.H., unsuccessful. Appointments made and cancelled."

" 19/6/1979: Branch manager met C.J.H. at Leinster House. Manager suggested that a cash offer of œ767,000 might be acceptable. Gallagher deal idea to be considered with advisers."

That seems to be a record of Mr. Phelan indicating that he met you at Leinster House, do you remember meeting at Leinster House?

A. I don't actually remember it as a meeting.

Q. Mmm-hmm.

A. But I just can't disagree with what's said here.

Q. Yes. Then the 20th

A. Again it seems to be the bank moving in their position

because, is this the first time that the bank side have suggested any sort of offer might be acceptable?

Q. Well I think the bank were trying to get the whole thing under control over a long period of time, Mr. Haughey, but now there was further discussion taking place, we will come ultimately to how the matter was dealt with.

A. Okay.

Q. "20/6/1979: C.J.H. offered œ400,000 in full and final settlement before end of year. Branch manager said he would not put this in writing to Head Office because of likely reaction. Branch manager gave him no hope of acceptance. The possibility of the bank being offered a œ10 million Middle East deposit was mentioned - no enthusiasm shown."

Now, that is a resume of a note, a hand written note and some other documents at divider number 40 and we understand this is a note of Mr. Phelan's and it reads: "Haughey Tuesday, instead of Monday, not going as well

A. Sorry, where are you at?

Q. This hand written note at divider number 40.

A. 40.

Q. Number 40. In fact, Mr. Haughey, for your assistance in this regard, I think we photocopied from the transcript on the day that evidence was given about this particular document if you go to the top, this is a decipher of the handwritten script, just for your assistance, Mr. Haughey.

(Document handed to witness.) The manuscript reads
"Haughey, Tuesday instead of Monday. Not going as well.
Can provide €400,000 cash and wipe off the lot before end
of the year plus €10,000 last six months. Asked to put
informally. Not going on paper. Total debt €867,000.
Suspense, €281,000. Going back to him tomorrow morning.
Two sources, one Baldoyle, not disclosed. 20/6/79.
Gallagher won't be necessary now.

€10 million Middle East (Iraq) mentioned. Recent offer
below market rate on deposit but C B knocked it without
having details. End of year crucial in politics. Try to
discount 1, value of deposit, 2, potential of
leadership."

Now, the date of that document as you can see in the box is
the 20/6 and if you go to the document at divider number
43, the second page, there is an entry which I just read to
you before I moved to that document, the "20/6/1979, C.J.H.
offered €400,000 in full and final settlement before end of
year. Branch manager said he would not put this in writing
to Head Office because of likely reaction. Branch manager
gave him no hope of acceptance. A possibility of the bank
being offered a €10 million Middle East deposit was
mentioned - no enthusiasm shown."

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

A. This meeting here, no, I certainly don't. It seems to be a
very peculiar sort of document, you are saying that it's

dated the 20/6/79 but is it? I mean

Q. Well

A. It's halfway down the page.

Q. Well perhaps a key for your assistance in that regard, Mr.

Haughey, is to go to the document which I opened at divider

number 43 which records it in a history on the second page

as being a history of this particular meeting on the

20/6/1979. Would you agree?

A. I am looking at the second page of 43.

Q. Yes.

A. And I am looking at the 20/6/79.

Q. Yes.

A. And I see what it says, "C.J.H. offered €400,000 in full

and final settlement before end of the year. Bank manager

said he would not put this in writing to Head Office

because of likely reaction. Bank Manager gave him no hope

of acceptance..." Yes.

Q. That seems to, would you agree, seems to be a resume of the

note, the handwritten note which has the date 20/6/1979 at

divider number 40 and there

A. I don't think you can possibly ask me to accept that, Mr.

Coughlan. I mean

Q. What do you mean accept it, Mr. Haughey? What do you say?

Do you say there was no such meeting?

A. I am just dealing with this piece of paper in front of me.

This hand written piece of paper.

Q. Yes.

A. I am not talking about the purported resume of the meeting as set out in document 43.

Q. Yes.

A. I am just talking about this piece of paper here.

Q. Yes. What do you say about it?

A. Well it's very scrappy.

Q. Apart from that?

A. I don't think I can read anything in particular from it.

Q. Well let's look at the content of it, shall we, in detail?

A. Hmm?

Q. Shall we look at the content and apart from the content, can we do that first and see if it accords with your recollection of events or not. Do you remember a meeting where you offered to provide €40,000 cash I beg your pardon, €400,000 cash to wipe out the lot before the end of the year plus €10,000 the last six months. Do you remember that

MR. MCGONIGAL: Mr. Chairman, I don't know that the chairman records this as a meeting.

A. Well would we not be on safer ground, Mr. Coughlan, if we dealt with the resume given in document 43?

MR. COUGHLAN: Mr. Haughey, I did commence with the resume and I want to come back to this document as to being the note of what is contained in the resume. That's what I want to do, Mr. Haughey. We will deal with the resume if you ring and they will, we'll come back to it but I'll deal

with the note, Mr. Haughey.

A. Yes.

Q. Now, do you wish to deal with the resume first?

A. I think it's

Q. Very good?

A. It's there in typewritten black and white.

Q. Yes. We will go to the resume so. The resume on the second page, the "20/6/1979, C.J.H. offered œ400,000 in full and final settlement before end of year. Branch manager said he would not put this in writing to Head Office because of likely reaction. Branch manager gave him no hope of acceptance. The possibility of the bank being offered a œ10 million Middle East deposit was mentioned - no enthusiasm shown."

Now, dealing with the resume, do you remember offering œ400,000 in full and final settlement before the end of the year on the 20th June 1979?

A. I think so, yes.

Q. Right.

A. I think such a figure was surfacing at that time.

Q. And can you remember

A. It may have, I may have discussed it with Des Traynor on the previous, the meeting you mentioned.

Q. I see. And can you remember whether that was at a meeting with Mr. Phelan or was it over the telephone with Mr. Phelan?

A. Well I would be inclined to accept there is a meeting.

There's a bank manager

Q. Yes, very good. Do you remember the branch manager indicating that he would not put it in writing because of

Head Office's likely reaction? Do you remember that?

A. No, Mr. Coughlan, I don't specifically remember that but I would have to say that in keeping with what has gone before, I can say I would accept that that took place.

Q. And do you remember indicating to the branch manager the possibility of the bank being offered a €10 million Middle East deposit?

A. I don't know that that was that particular meeting but I have a recollection of that Middle East thing now. It had gone completely out of my mind until I saw this documentation.

Q. Very good. Well that's all the Tribunal is attempting to get at, your assistance in this regard, Mr. Haughey.

A. Yes.

Q. And perhaps in those circumstances, it might be appropriate then to go to the handwritten document at page number 40 and there was, with this handwritten document in the files of Allied Irish Banks, a compliment slip or a business type card which we have photocopied the front and back of and it is the Rafidain Bank in London and the back of it is a map showing the location of the bank so just to put it in its full context, that that's what accompanied this particular hand written document of Mr. Phelan's in the bank records so that's what accompanied the handwritten document in the

records of Allied Irish Banks.

A. This?

Q. This particular

A. Yes, I see that.

Q. Now, if we go through the handwritten document so, the

other side, the beginning, the reference to "Haughey,

Tuesday instead of Monday, not going as well" and then I

think you can recollect an offer you can provide €400,000

cash and wipe out the lot before end of the year plus

€10,000 last six months and asked to put informally.

A. I asked to put it up.

Q. Put it up

A. Sorry does that mean put up the cash?

Q. Put up the cover I'd say. Put up the offer.

A. The way it's put there, with all due respect, Mr. Coughlan,

it seems to me to put up the cash. "Can provide €400,000

in cash, wipe out the lot. Ask to put it up".

Q. You think that means put it up?

A. Your guess is as good as mine.

Q. It's of assistance to the Tribunal to have your view on

it.

A. I am just reading it the same as you are.

Q. Very good. "Not going on paper" which seems to accord

with the memorandum or at divider number 43, "Branch

Manager said he would not put this in writing to Head

Office because of its likely reaction." Would you agree?

A. We are going now to the 20/6 again, are we? "Offered in

full and final settlement before end of year. Bank Manager would not put in writing..." yes.

Q. Seems to be, it seems to contain what is contained in this document so far, doesn't it, in broad terms?

A. Not going... No, I can't. On one occasion it seems to say "Bank Manager said he would not put this in writing to Head Office because of likely reaction".

Q. Yes.

A. Where is that in the handwritten?

Q. What the handwritten document says, Mr. Haughey, is, and we have just opened it a moment ago, "Not going on paper".

A. With respect, Mr. Coughlan, that could mean anything.

Q. Do you think so, Mr. Haughey? What do you think it could mean?

A. It doesn't mean anything.

Q. Well you have offered that as a suggestion in the witness-box now, Mr. Haughey, and the Tribunal is anxious for your view on matters. What do you think it could mean other than what is contained in the memorandum contained at divider number 43? If you could assist the Tribunal.

A. I don't think I want to get into any argument about this, Mr. Coughlan, but I just say I don't know, I can't know what it means. I can't see what it means standing by itself.

Q. I see. Well I can assure you, Mr. Haughey, I don't want to get into any argument either, I am just looking for your assistance at this stage.

A. We are both on the same line.

Q. Now, the handwritten document then continues, "Total debt €867,000. Suspense, €281,000. Going back to him tomorrow." I think you would probably accept that the figures are probably right at that time, there's no reason to think they are not?

A. Well they are not repeated in the summary on 43 but...

Q. No, they are recorded all over the place, you can take it that they are fairly accurate, Mr. Haughey.

A. Yes.

Q. And then "Going back to him tomorrow morning" is there and then "Two sources." This is the handwritten document, "One, value of deposit" sorry, I beg your pardon, I'll read that again, "2 sources, 1 Baldoyle, not disclosed." That is what's written there, would you agree?

A. Sorry, Mr. Coughlan, I wonder can I suggest that 2 probably means item number 2 there.

Q. Yes, that could be so. Yes, I agree. It could be. Yes, it could be and that it's not written as two sources, that could be so, yes. And it could follow logically there, 2 sources and then 1, Baldoyle question mark and the other not disclosed. That could read like that, I agree. And then it reads, "Gallagher won't be necessary now" and then, sorry the date is in that little box

A. Sorry, Mr. Coughlan, that doesn't seem very logical, does it, "Gallagher wouldn't be necessary now" because on the 23/2 he seemed to be keen on the Gallagher

Q. Yes, that's true, but could it be that you may have been of the view at that stage, we will come to a later stage again, but could you have been of the view at that stage that Gallagher may not have been necessary and again I'll just say this in ease of yourself, we will come to a memorandum when Mr. Traynor gets involved in dealing with the indebtedness where he is making certain suggestions so I don't think you need adopt any specific position in relation to this at this stage?

A. Okay.

Q. Now it then reads, "The \approx 10 million Middle East, Iraq mentioned" and then there is a note "Recently offer at below market rate on deposit but C B knocked it without having details" - without knowing details, perhaps? And then, "End of year crucial in politics. Try to discount (1) value of deposit, (2) potential of leadership."

Now, I suppose first of all, if I could ask you, you have a recollection of something about a Middle East possible deposit but you weren't sure the timing of it and it didn't come back to your memory until you received the documents from the Tribunal, would that be correct to say?

A. Yes, I can be of some help here.

Q. Yes.

A. And I'd say I had gone completely out of my mind when I saw these documents and then I did recollect something about it but only in a general way. At that time, perhaps I might

go back to the general situation at that time.

Q. Of course.

A. We were in this country, we were, I can only describe the country was in dire financial states. As we know from these documents, interest rates were at an extraordinary level, we were running huge budget deficits and so on and in those circumstances, it was very common that various people from different parts of the world, Middle East, etc., Hong Kong, were arriving in Dublin and offering money at rates way below what was current at the time. I think anybody who remembers that time will remember that fact. They were I suppose money brokers and I think they were all fairly spurious but they were there and they were offering this money at these rates.

Now, I think that this particular incident that we are dealing with here was of that nature, I don't think it was particularly significant, I think it was just that I passed on to the bank, that it might be of interest to them. They weren't interested in it and I think probably rightly so.

That's all I can recollect about it.

Q. I see. Now I think when you say I just want to be clear about this, we have a duty to be careful to everybody when you say that people arrived and you described them as, say, money brokers and many of them may have been spurious or I don't think that you would be making a suggestion that as of this time, bearing in mind that if this particular compliment slip with the Rafidian

Bank accompanied this note, I want to be clear there's no suggestion being made that the Rafidain Bank was a spurious bank. I think it was the Iraqi State Bank at the time.

A. Yes. By the way I should have added I had been on a visit to Iraq and it may have arisen out of that. When I was in Iraq I would have normally been promoting the idea of investment in Ireland, etc. etc.

Q. It may have arisen in those circumstances as well?

A. I beg your pardon?

Q. It may have arisen out of those circumstances?

A. My visit.

Q. Your visit to Iraq and any business contacts that you would be making on behalf of the country?

A. Yes, well my contacts there would have been all mainly at Government level.

Q. Yes. And I suppose in those circumstances, may have been given to you was this particular, I am not sure whether it's a business card or a compliment slip with the name of the manager of the Rafidain Bank in London on it. I take it that's not your writing?

A. I think that's, I don't recall the details but it seems fairly in order.

Q. I think at the time it is correct as Minister for Health and Social Welfare, you did visit Iraq, isn't that correct, around that time?

A. I visited Iraq twice, I visited it fairly early on, I remember. I had an invitation from the Iraqis through the

Irish Arab Society.

Q. Yes.

A. That was at a time when I was out of Government, I was in the wilderness, as I have said, and I went on a visit to Iraq. Iraq was a very different country in those days. It was very prosperous, very oil rich nation and it seemed to me to be a country that we should definitely promote relationships with because oil was crucial in those days, everybody wanted access to oil prices. It was a population of 20 million people and obviously a very good market for our exporters so that I had quite a reason for hoping that we would, here in this country, we would develop good relations with what was a prosperous, very prosperous, at that time, Middle East country.

Q. Yes. Yes.

A. I am just giving that background, how this may have arisen.

Q. Yes. And in relation to this particular business card or compliment slip, the writing on it, do you know whose writing is on it?

A. It looks like my own. I couldn't be sure, it's printed but it looks like mine.

Q. I see. And I appreciate that you first of all visited Iraq when you were out of office and through the invitation or auspices of the Irish Arab Society and you visited Iraq when you were in office and the purpose, I take it, of the visit was to promote Ireland or business for Ireland?

A. No, the second one was as Minister for Health to Minister

for Health because we had a hospital in Baghdad at that time, we had an Irish hospital in Baghdad which was staffed by Irish people and there was quite a lot of, the College of Surgeons, for instance, would have a lot, were sending out a lot of people to Middle East generally and particularly also to Iraq.

Q. Yes.

A. And as Minister for Health, I was interested in that, in promoting that sort of development.

Q. Yes.

A. And in fact I had, it's come back to me now, I had the minister, the Iraqi Minister for Health over here and we signed an agreement to promote these type of relationships.

Q. That was the hospital in Baghdad I think being run by PARC, was it, at some stage?

A. It was, yes, a substitute of Aer Lingus.

Q. Yes.

A. It got into a lot of trouble after.

Q. Yes, it did. Do you remember how you came across somebody who was indicating that they'd be prepared to make a deposit in an Irish bank?

A. I have to ask you there, Mr. Coughlan, is this what the

Q. This is in June of 1979.

A. '79. Yes, because the Minister for Health, the Iraqi Minister for Health would have been here before that.

Q. Yes.

A. So it might have arisen out of that. Somebody in his

entourage, I can't really recall, I am only

Q. I have to ask you this question, Mr. Haughey, would you agree that reading the note, it would appear that this particular deposit is being suggested to Allied Irish Banks to some way alleviate your own personal position?

A. No.

Q. You wouldn't agree that the note

A. No, it just seemed to me that they were the most convenient receptacle, if you like, if they were going to develop a sort of financial relationship with the Iraqis of that sort of investment by them here, it was a good way to start and I am sure that would be my thinking.

Q. Now, I don't think or this particular proposal saw that you were perhaps tentatively suggesting to Allied Irish Banks, it wasn't on behalf of what you would describe as a spurious broker, it relates to the state bank of Iraq, isn't that correct?

A. I was just, when I mentioned spurious brokers, they weren't all spurious.

Q. I accept that.

A. I was just giving attention to the total situation prevailing at that time, well I may have said or mentioned or meant to say that a lot of them were spurious.

Q. Oh yes, I accept that. But what is being, if the documents are of any assistance, it would appear that what was being suggested here was that the State bank of Iraq would probably make a deposit of €10 million in Allied Irish

Banks, is that correct?

A. Sorry, just repeat the question.

Q. That it was the State bank, the Bank of Rafidain?

A. As I recollect, there were only State banks in Iraq, it was a State run country, socialist country.

Q. Whatever about this bank, if it were to make a deposit, it had the backing of the Iraqi Government, it was a State bank in that respect?

A. I would accept that, yes.

Q. So what was being suggested here wasn't so and I accept that not all brokers were spurious but that what was being suggested here was not in that category of some broker arriving but it was the State, a State bank of Iraq to make a deposit?

A. Insofar as all banks, in my recollection, all banks in Iraq were State banks.

Q. Were State banks?

A. Not necessarily, there might have been only one bank, I am not sure.

Q. Yes. And somebody gave you the name of the manager of the London branch obviously?

A. Yes.

Q. Can you recollect who that was?

A. No, I can't, the only thing I can think of is that it might be somebody in the entourage of the Minister for Health.

Q. I see. Again I have to ask you this question, would you agree first of all that the note, this note conveys the

impression that influence was being offered here to make a deposit in Allied Irish Banks to obtain some favourable result on your own personal finances? Would you agree first of all that's what the note conveys?

A. Certainly not.

Q. You don't think the note conveys that?

A. I reject that.

Q. I'll come to your views but would you accept that the note, reading this in the context of the history of your accounts and this particular note, would you accept that the note conveys that impression?

A. No.

Q. You don't?

A. I wouldn't accept that, no.

Q. I am not asking you whether you accept it, I am asking you what impression do you think the note conveys? The Tribunal is anxious for your view in relation to that.

A. Sorry, Mr. Coughlan, you are asking me if it conveys that impression to me and I am saying no, it doesn't convey that impression. The note doesn't convey that impression to me.

Q. To a member of the public looking at it, do you accept that it would convey that impression?

A. I can only tell you what I feel now, I myself.

Q. Do you accept it could convey that impression to a member of the public?

A. Isn't the position that you are indicating that this note is Mr. Phelan's note?

Q. Yes.

A. I don't think he would have made that proposal. I don't think he would have made that proposal.

Q. The note seems to indicate "But C B knocked it without out having details" that appears to the Tribunal to indicate that at least

A. Sorry, could you repeat that please?

Q. Yes, indeed. Down on the right hand corner, after the word "Iraq," "Recently offer at below market rate on deposit but C B knocked it without having details." It would appear that

A. What is the C B?

Q. "C B knocked it."

A. Sorry there's a but before it.

Q. "But C B knocked it without having details." It would seem to indicate that at least some provisional inquiry must have been made with the Central Bank and of course the Central Bank couldn't say anything without having full details and those didn't exist but it would appear that at least a provisional inquiry was made of the Central Bank in relation to it?

A. I must point out, Mr. Coughlan, that the summary just says "Middle East deposit mentioned - no enthusiasm shown".

Q. I know that's what the summary says but the note says "C B knocked it."

A. My recollection is that the bank just wasn't interested.

Q. Mmm-hmm?

A. And dismissed it.

Q. In any event, Mr. Haughey, notwithstanding your own personal troublesome relationship with Allied Irish Banks, you were saying that you were prepared to offer or some way indicate a favourable deposit from the Middle East for Allied Irish Banks and that was to in no way affect your personal relationship with Allied Irish Banks, is that right?

A. That's my position, yes, but may I recall

Q. Could I ask you this, Mr. Haughey

A. That I rejected the use of the word 'adversary' in connection with my relationship with the bank and all that said, in spite of the difficulties and troubles, they were my bank.

Q. Well I have to put all positions to you, Mr. Haughey.

A. I understand that.

Q. In the course of carrying out this inquiry and if I were to suggest to you that your suggestion you were not seeking a favourable consideration by reason of this introduction, that that would appear to be incredible, what would your response to that be?

A. It would appear to be incredible?

Q. Incredible?

A. I think your other suggestion would be incredible.

Q. I see.

A. I mean as I say, let me put it to you from my point of view

Q. Yes of course.

A. As it probably was then, I had this indication from the Iraq State, somebody, the Minister maybe, that they would favourably consider investing in Ireland which I think everybody will agree Ireland desperately needed at that time.

Q. Yes.

A. Now if this was a bank in London which was prepared to make some initial approach to investment in Ireland and the, troublesome relationship or otherwise, I knew Allied Irish Banks very well, I had been with them for 30, 40 years, it was a very natural thing for me to suggest to them that they should follow this up.

Q. Well, as Allied Irish Banks showed no enthusiasm for it, did you suggest to the bank of Rafidain or to any other Irish bank that a deposit might take another route?

A. No, the thing died a death then. My recollection is there was absolutely no follow-up of any kind.

Q. Very good.

CHAIRMAN: Might it not have seemed, Mr. Haughey, a more suitable topic to take up separately with the Head Office of AIB rather than with your own individual bank manager?

A. Perhaps, but I was in touch with the, with my own bank manager, Chairman, at that stage and may I say, Chairman, it wasn't something that I regarded as any great significance, it was just a possibility that they might, it

might lead to something.

Q. MR. COUGHLAN: Well if I continue so with the handwritten note, it reads, "End of year crucial in politics" and it seems to read "Trying to discount (1) value of deposit, (2) potential of leadership." Can you assist the Tribunal at all in relation to that, Mr. Haughey, that particular note?

A. I can't. I have no I can't decipher it, I don't know what

Q. Well, if it reads, and again this is Mr. Phelan's note, would you agree that it seems to indicate that there was some discussion about the end of year being crucial in politics and trying to discount, I am unsure, the Tribunal is unsure what this particular reference means, "(1) value of deposit, (2) potential of leadership." Doesn't it seem that you must have discussed in general terms the political situation with Mr. Phelan?

A. I couldn't say that, no. I couldn't say that that we may have had a general discussion about politics, why not?

Q. Yes, of course, why not?

A. They were very interesting political times but I have no, I cannot even suggest what may have been involved in that.

Q. Whatever your own state of knowledge at the time, might you have indicated to Mr. Phelan that the end of the year would be crucial in politics? After all, that was within your area of expertise making political judgements, is that correct?

A. Well I probably would be more expert than Mr. Phelan all

right but we may have been just having a discussion but could I just point out to you, Mr. Coughlan, that it's not evening mentioned in the summary in 43.

Q. Yes. That's right. But it's noted here by Mr. Phelan.

Could you have I am just, the Tribunal is just trying to build up a complete picture in relation to your view of things, these documents, and your acceptance that Mr. Phelan probably recorded things reasonably accurately that you may have had a discussion with Mr. Phelan around this time about politics and indicated that this could be a crucial year, the end of year could be crucial and that there was a potential of leadership, whether you expected it or not, do you accept that that could have been said?

A. Let me just say that I think it would be unnatural of me to suggest that Mr. Phelan and myself, at that period of time, when we had disposed of our difficult business, wouldn't turn to having a chat about politics.

Q. Yes. And the note again, if I am reading the note correctly but correct me if you think not, that what it seems to indicate is that look, we know that the indebtedness is high, is there any discount in these circumstances, (1) value deposit? And I am sure what that is and (2) the potential of leadership, that I need to get this out of the way.

A. I don't think you can read anything particular out of these, that note.

Q. Yes.

A. Except as a discussion about politics. I can't anyway.

Q. Yes. Now, looking at the document, and again I am seeking your assistance here, Mr. Haughey, sorry, if I could take it back down to the bottom of the document, that the question of a possible deposit, a possible deposit of €10 million from the Middle East was discussed. Then "discussion perhaps about politics, end of year crucial in politics" and then "trying to discount (1) the value of deposit," could that refer to the Middle East deposit, do you think? And "(2) potential of leadership," do you think that the document might lead like that?

A. Could you repeat the question?

Q. Yes. There is an indication of the possibility of a €10 million Middle East deposit. Then "end of year crucial in politics, try to discount 1, value of deposit," it could be a reference to the Middle East deposit and "2, potential of leadership".

A. I just can't make any sense out of it, I am sorry.

Q. Well could it read or could it indicate could it indicate the potential for influence in the context of your potential leadership? Could it read like that?

A. Could you repeat that?

Q. Could it read that there was a potential for influence?

A. For?

Q. Influence?

A. You are asking me to speculate.

Q. I am asking for your view on this document.

A. Well I can't make, I can't draw any conclusions from the document.

Q. Very good.

A. And I don't think, to be fair, that it offers any particular conclusion to anybody.

Q. Yes. I was going to move on to the next document, which is fairly lengthy, Sir, and I wonder in the circumstances if My Friend is happy that I should

MR. McGONIGAL: Well just before he left this document, I don't know quite what my position is in relation to clarification to the thing, Mr. Chairman, there are a number of matters arising from that document, I don't want to deal with them now.

CHAIRMAN: It certainly occurs to me, Mr. McGonigal, since fair procedures amount to matters to be taken up with Mr. Haughey not just in relation to AIB but in relation to various other issues, I accept that a fair procedure which would enable you to have some capacity to deal with some of these matters before we recess as regards your client

MR. McGONIGAL: I understand that, Mr. Chairman, I was going to discuss that with Mr. Coughlan later today but before we left this document, I just wanted to initially seek some clarification in relation to this point of view, that the document which Mr. Coughlan referred us to in the transcript was in fact part of his opening and his opening

would not have been evidence and what I am concerned with is two things initially; first of all, whether the Tribunal is saying that the signature below the 20th June 1979 is Mr. Phelan's signature.

Secondly, whether he is saying by reason of other evidence not yet produced that what appears, what could be interpreted as 'C B' is in fact 'C B' and if there's other evidence to say that it is 'C B' because it could well, it could easily be an 'L B' rather than a 'C B' and may refer to a board because I think there is another interpretation in relation to this document, which has not been put forward by Mr. Coughlan but which is capable of exploration and that is the document may be a record between two members of AIB before a meeting or after a meeting with Mr. Haughey and my reason for suggesting that is because at the beginning it seems to suggest, it has "Haughey Tuesday instead of Monday," which seems to be changing something that had been a previous arrangement and I just wonder whether the 20/6/79, since it isn't at the top of the document, in some way reflects a change which has taken place and a discussion between that person's signature and maybe Mr. Phelan. I don't know whether Mr. Coughlan is saying that this document is in Mr. Phelan's writing. I just don't know what evidence he has. There are things like that I am slightly concerned about that.

CHAIRMAN: I think I will invite Mr. Coughlan in this

regard, I will see that these matters are adverted to and dealt with certainly in the course of tomorrow's hearing and I certainly will not even contemplate drawing any final conclusions with a view to reporting on this aspect before all possible versions that you may wish to explore have been satisfactorily looked at. I would however like to see a little more progress today before we recess.

MR. COUGHLAN: Very good. I should just say in that regard, we are sending anything Mr. McGonigal wants me to put, I would be glad to put. We are conducting an inquiry here.

Q. The next document, Mr. Haughey, is at divide number 41 and it's from the branch manager to Mr. O'Donnell, the Advances Manager of Allied Irish Banks and it's "Re: C.J. Haughey Esquire.

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

Despite several meetings with this client both before and subsequent to discussions in Oldbrook House on the 23rd February, I regret to advise that I cannot report any positive progress. I remember met him again yesterday morning (Monday, 16th) and notwithstanding my advice to the contrary he appears set on making a formal offer to the bank of €400,000 in full settlement. This money is to come from unspecified deals expected to materialise before the end of the year, but it appearing to be dependent on a

certain tax problem being resolved. When I referred to the Gallagher deal, which he had previously stated he would consider, and asked if he had dismissed this totally, he replied "no" but he would like to keep this as a standby. It is my belief that he has not taken any positive steps to progress this suggestion.

"All in all, it is my considered opinion that this client does not believe the bank will force a confrontation with him because of his position. I feel that until his view in this regard is changed, no progress will be made. Despite various promises to the contrary, drawings have continued on the account as is shown from the attached figures.

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

Accordingly, I now recommend that the bank should take firm measures to bring this client to a sense of his responsibilities and as a first step in this direction I propose, with your approval, to send him a registered letter of the lines of the enclosed draft. I fully appreciate this action may have serious adverse repercussions for the bank." And that's signed, "Mr. Phelan, the manager."

And then there's a note written at the end of this,

"23/7/79, Area General Manager instructed that the proposed letter not be sent. Get C.J.H. to go after a Gallagher deal."

Now, there then followed in the documents the draft prepared by Mr. Phelan, which of course was not sent and it reads "Dear I am instructed by my Board to inform you of the bank's grave disappointment and concern that despite discussions with you over a considerable period, no acceptable proposals for dealing with your large indebtedness have emerged. I am further instructed to inform you that unless the bank is satisfied, within two months from this date, that realistic measures are being taken by you, will be left with no option but to consider the steps open to it to resolve the situation.

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

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

Now, there then, there's also enclosed with that document a schedule of the state of affairs, I don't think I need to go into that in great detail, Mr. Haughey, it just records

the 1970s and it's there for your perusal.

The next document then, we can pass over, Mr. Haughey, because in fact it is the second page of the memorandum or the report or letter of Mr. Phelan's at divider number 41 but it's just in a different file of Allied Irish Banks and I just pass over that and we come to the memorandum which we were dealing with, that's at divider number 43. And if we pass then to the second page of the document at divider number 43 because we have been through most of it already, there is the final two entries on that are on the

"16th July 1979: Meeting at Aras Mhic Dhiarmada. C.J.H.

is now prepared to put his €400,000 offer in writing as a formal offer despite manager's advice of bank's unfavourable reaction. Funds to come from unspecified land deals. Tax problems to be resolved. Gallagher deal not dismissed by C.J.H. but branch manager's view is he hasn't done anything much, if anything, about it."

And then "23/7/79: Bank Manager reported lack of progress in writing and sought directions regarding stiff letter to C.J.H. with threat to return cheques. Such a letter is not to be sent yet and the Assistant General Manager instructed Branch Manager request C.J.H. to pursue Gallagher deal."

If I could just first of all go to the entry for the 16th July 1979, do you remember a meeting at Aras Mhic Dhiarmada where you indicated you intended to make the proposal of €400,000?

A. Sorry, where are we?

Q. I beg your pardon, if you go to divider number 43, Mr. Haughey?

A. 43.

Q. 43. And if you go to the second page, you can see the document, we have been through most of this document already this morning. If you go to the second page and the second last entry under the date the 16th July 1979.

"Meeting at Aras Mhic Dhiarmada. C.J.H. now prepared to put his œ400,000 in writing as a formal offer despite branch manager's advice of bank's unfavourable reaction.

Funds to come from unspecified land deals. Tax problems to be resolved. Gallagher deal not dismissed by C.J.H. but branch manager's view is he hasn't done much, if anything, about it." Do you remember such a meeting at Aras Mhic Dhiarmada?

A. I don't specifically remember.

Q. Then the final entry deals with that report of Mr. Phelan's of the line where he was suggesting that he send a letter to you to return cheques and the instruction given to Area General Manager that that course should not be proceeded with yet, but that you be requested to pursue the Gallagher deal. You wouldn't have known anything about that internal communication in the bank?

A. No. The interesting thing about it is this is July 1979, it seems that the bank are going to ask me to get, to follow-up the Gallagher deal.

Q. Yes. That seems be the case, yes. Now, the next document and can I take it that up to July of 1979, as we can see there, whilst you may have had discussions or meetings with Mr. Traynor about your affairs and how you might deal with the bank, all the dealings with the bank as recorded appear to have been by you personally, isn't that correct?

A. In so far as these memoranda are concerned, they either deal with the bank's own internal affairs.

Q. Yes.

A. Which they do very frequently or they are reports of interviews with me.

Q. Yes.

A. Yes.

Q. And you, as the customer, are dealing and making proposals and listening to suggestions made by the bank, isn't that correct, about your affairs?

A. Of course but I also would have been in touch with Mr. Traynor.

Q. I accept that you would have been in touch with Mr. Traynor yourself but you were aware of the state of your own affairs, Mr. Haughey, isn't that correct?

A. Yes, well insofar as they keep, they kept changing, I would be, the bank would update me from time to time but I have to say, Mr. Coughlan, that at any given moment, I wouldn't be aware what these actual acts of overdrafts were because it was quite a complicated situation.

Q. Yes. Well I suppose and any customer wouldn't know until they received their next statement or were informed of what the day-to-day basis might be?

A. Well as you can see from some of these reports, the state of the different accounts was quite complicated.

Q. Yes. Yes.

A. And I wouldn't be personally aware of the full details.

Q. Yes.

A. As they were changing from time to time.

Q. Of course. Now, the next document is document number 44 and that

CHAIRMAN: We won't go beyond that one.

MR. McGONIGAL: Just before he goes on to that, Mr. Chairman, it might be more appropriate in a moment to stop, I just want to draw Your Lordship's attention in relation to the matter I have already raised and it may be of some assistance in relation to clarify. Document number 24, I just draw your attention to the signature on that document which seems to be similar to the signature on the document that's no longer on the screen, the handwritten document, and also document 13, the second page of that and, Chairman, you will see some handwriting and again it's a similar signature to the signature underneath the 20th June 1979. So, it does seem that there may be some inquiry in relation to the handwritten document which we should be exploring and those documents

CHAIRMAN: It can be alluded to in tomorrow's hearing. I think we are just past half past and probably it's an appropriate time and am I correct in thinking, Mr. Coughlan and Mr. Healy, that in view of the fact that the intended days have been somewhat belatedly changed, what one might call the witnesses other than Mr. Haughey have in fact been slotted in for tomorrow?

MR. COUGHLAN: That is correct, 10:30.

CHAIRMAN: Thank you very much.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,
THURSDAY, 27TH JULY 2000 AT 10:30AM.