

THE TRIBUNAL RESUMED AS FOLLOWS ON THURSDAY, 21ST SEPTEMBER

2000 AT 10:30AM:

CHAIRMAN: Perhaps one matter I might mention at the outset. Mr. Coughlan is in ease of people intending to attend next week's sittings, because of a very substantial conference that's being held in the Castle on, I think it's Tuesday. We have agreed to facilitate the authorities by not holding a sitting on that day. So the sitting days will be Monday, Wednesday, Thursday, Friday of next week.

CONTINUATION OF EXAMINATION OF MR. CHARLES HAUGHEY BY
MR. COUGHLAN:

Q. MR. COUGHLAN: Mr. Haughey, I think we were dealing with the letter which incorporated the agreement between Allied Irish Banks and yourself, which was dated 24th January 1980, and it's at divider number 57.

Now, that letter came from Mr. Patrick O'Keefe, who was the Deputy Chief Executive of the bank, and it was addressed to you, and it contains certain terms which we were through on the last occasion and it requested your signature by way of acceptance of the terms I think; isn't that correct?

A. I can't find it at the moment.

Q. Sorry, it's divider number 57. I think you can take it that that is the case, Mr. Haughey, because you signed it and accepted, Charles J Haughey.

Now, it would appear from evidence given at this Tribunal,

that the two people who were foremost involved from the Allied Irish Banks' side in respect of or in relation to this agreement were Mr. Patrick O'Keefe, who was the Deputy Chief Executive probably somebody directly under him, reporting to him, and Mr. Crowley, the Chairman of the bank. Did you know that at the time?

A. No, I didn't, but I can accept it, of course.

Q. Yes. And the person doing the negotiating on your side was Mr. Traynor; isn't that correct?

A. Correct.

Q. And from your recollection, can you remember if Mr. Traynor was keeping you informed of the negotiations?

A. No, not step-by-step as it were.

Q. Yes, I can understand not step-by-step, but in broad terms, the level at which the indebtedness could be compromised and matters of that nature?

A. No. I don't think the negotiations, when they got going, lasted very long.

Q. That seems to be so, yes?

A. I think the first I would know would be the outcome, when I would be informed and asked to sign a letter.

Q. Now, the terms allowed for the debt to be settled for 750,000. There was a writing of a substantial amount of interest and there was this sum of 110,000 put into an account which was to be non-interest bearing; isn't that correct? That was the way the settlement was worked out at the end of the day?

A. That's correct, yes.

Q. Now, as you say, once negotiations got going, things seemed to move rapidly to a conclusion; isn't that correct? It would appear Mortalogram, sometime before Christmas, got involved in great detail in the negotiations and by this date in January, the terms seemed to have been agreed?

A. Yes, I thought my recollection would be that once Mr. Traynor and Mr. O'Keefe were involved, it only took two or three days, that's as far as I remember.

Q. And I think then the way matters proceeded, because we have correspondence then between Mr. O'Keefe and Mr. Traynor just enclosing cheques

A. I'd like to find that if I may.

Q. Yes, of course, Mr. Haughey. It's the next divider

A. What number is that?

Q. It's number 58.

A. Yes, I have that. Yes, it's from Traynor to O'Keefe.

Q. He is enclosing a draft for 100,000 at that stage, you can see that, can't you?

A. Yes, I see that.

Q. And it's just a letter sending over 100,000 to Mr. O'Keefe and then the next divider is Mr. O'Keefe's acknowledgment of receipt of the 100,000, it's dated 1st February 1980.

A. Yes, I see that.

Q. And then the next document we have is a letter from Mr. Traynor again, that's at divider number 60. He is sending a draft, which is the 50,000, making up the balance

for the final amount agreed.

A. Yes, I see that.

Q. And we don't seem to have any particular we can't locate anyway, at the moment, any letter from Mr. O'Keefe acknowledging, but we can take it that it was received.

Now, 600,000 had already been paid over, I think, as the first installment.

A. That's what the document seems to

Q. Now, did you know at the various stages the amounts that were being handed over?

A. Not in detail, no.

Q. Well, when did you know what the final figure might have been, can you remember?

A. I think when I got the letter which I was asked to sign accepting

Q. That was the letter from Mr. O'Keefe dated 24th January incorporating the terms effectively?

A. Yes.

Q. Now, can I ask you, and I just ask you to bear in mind that I will be coming to evidence given by Mr. Patrick Gallagher. .

Did you know, or could you have known prior to that, that the type of money which was required to settle this particular account was going to be in or around 750,000?

A. No, because I think some of the AIB memos before that were indicating that Mr. Traynor was indicating that we would be

prepared to pay something like 400,000 or so.

Q. Yes, that is so. The memos indicate Mr. Traynor gets into a negotiating position. He is indicating a figure and the negotiations proceed and then the ultimate figure is arrived at as a compromise, but now, did Mr. Traynor come to you and say, look, the figure, the final figure is going to be 750,000, or did he come to you at any stage and say, I think I can do it for around that figure?

A. I couldn't remember that detail. I imagine he would come, when he had done his when he concluded his negotiations and tell me what the outcome was.

Q. Now, Mr. Traynor, in his negotiations, in order to be able to satisfy himself in entering the negotiations and ultimately to be able to satisfy the bank that he could deliver on the negotiations, would have had to have some idea of where the money was to come from, wouldn't he?

A. Yes.

Q. And can I take it that there must have been some discussion between yourself and Mr. Traynor as to where the money would come from?

A. Well, I can't specifically remember, but certainly it was understood that Abbeville lands would be sold to Gallagher and that my understanding was then was that the remainder would be put up by Guinness and Mahon by way of overdraft.

Q. I see.

A. That was my that was the general approach that I was

as I understood it.

Q. I see. Now, I appreciate that it's sometime ago and I'll have to go through it step-by-step to see if it will assist your memory, but it's your general understanding that some Abbeville lands would be sold and that Guinness and Mahon, as bankers, would provide a facility to enable the full figure to be arrived at and to discharge the indebtedness as agreed with Allied Irish Banks?

A. That's my best recollection.

Q. Now, I think, Mr. Haughey, for your assistance, we have attempted to isolate and identify the evidence and the documents which refer to the sum of money used to discharge the indebtedness to Allied Irish Banks and I think we furnish you with a book of documents, it's called volume 2, and it's got a front page which says: "Source of funds to repay Allied Irish Bank loan." And

A. Sorry, where are we now?

Q. We furnished you with a volume and you can see there is an index, Mr. Charles J Haughey, and it says: "Evidence, volume 2." Have you got that document now or that book?

A. Yes, I have.

Q. It says: "1, Source of funds to repay AIB loan," and then it deals with "1.1, points raised with Charles J Haughey, letter 19th May 2000." I am not going to go into it in detail now. I will come back to that. Then it has a summary of the evidence of Ms. Kells. Sorry, you have the documents.

A. Yes, I have

Q. And it would appear that in the first instance that there was a bank draft made payable to Allied Irish Banks in the sum of 600,000 drawn on Guinness and Mahon and it was paid on the 25th January 1980. I think you have seen that particular document.

A. Yes

Q. We have it on the screen as well.

A. Is this your memo here, "Points raised with Mr. Charles J Haughey"

Q. Yes. If you go behind that now and I'll come back to the points presently.

A. The next document I have is Ms. Sandra Kells.

Q. Ms. Sandra Kells' evidence?

A. Yes.

Q. If you go just behind, you should have the

A. Yes, I see it here, yes.

Q. The draft, do you see it Mr. Haughey?

A. Yes.

Q. Now, that was the first payment, 600,000, and it was drawn on Guinness and Mahon and it was made payable to Allied Irish Banks. The second payment then is again a draft drawn on Guinness and Mahon, made payable to Allied Irish Banks in the sum of 100,000, dated 31st January 1980, and the next was a draft drawn on Guinness and Mahon made payable to Allied Irish Banks, dated 14th February 1980, in the sum of 50,000, and that made up the 750,000. So there

were three payments, 600,000, 100,000 and 50,000.

A. That's what the documents say, yes.

Q. And you can see that evidence has been given by Allied Irish Banks of receiving those particular sums of money, so they were paid over.

Now, did you know anything about those particular payments?

A. No.

Q. Or how they were transmitted to Allied Irish Banks?

A. No, to the best of my recollection, no, I wasn't aware of those particular details. But...

Q. Now, the letter just and I am not trying to catch you out, I am just trying to establish the facts if I can.

The letter which you signed accepting the terms also acknowledged receipt of the 600,000, but you say that you knew nothing about how that 600,000 was transmitted to Allied Irish Banks?

A. No, I wouldn't know the actual details of the transfers.

Q. Now, according to the evidence of Ms. Sandra Kells, these three drafts were drawn on an account and they were funded by debits to a resident current account number 18306-01-50, in the name of J D Traynor with a designation "Special."

And from knowledge derived from Guinness and Mahon's review of the accounts controlled by J D Traynor, it would appear that this designation meant that the account was opened for a short period and for a particular purpose. The account was opened on Tuesday, 11th December, 1979. I think that was the day you were elected as Taoiseach; is that correct,

Mr. Haughey?

A. To the best of my recollection, yes.

Q. And it's a bit faint, but I think you do have a hard copy of the account statement, and it shows that if we could just get that in but it opens, as all accounts do, with a zero balance on that date and then there was, on that date, lodged to the account a sum of 150,000.

Now, did you know anything about that at the time?

A. No, I never knew anything about that account. I have no knowledge of it until this Tribunal unearthed it, as it were.

Q. Well, it was the account that appears to have been opened for the purpose of clearing the indebtedness, and there were some few other drawings which I shall deal with in a moment, and then closed soon after your affairs with Allied Irish Banks had been settled.

A. I can't comment on that, but that would seem to be the outcome of all this documentation.

Q. May I ask you this: Did you give Mr. Traynor 150,000 on that date or around that time to lodge for the purpose of opening an account to deal with the indebtedness?

A. No.

Q. Do you know where that sum of 150,000 came from?

A. No.

Q. Did Mr. Traynor have any discussion with you around that time that he had 150,000 available as of the day you became

Taoiseach?

A. Certainly not.

Q. Now, the next lodgement to the account is on the 16th January 1980. There was lodged to the account a sum of 355,000?

A. I am sorry, Mr. Coughlan, I can't find any of these figures.

Q. Very good. After the three drafts which were used to pay allied Irish banks, Mr. Haughey, there is a document and it's headed "Guinness and Mahon," and it has the word "Ledger," and on the left-hand column you will see the dates, the first one is the 11th December 1979

A. Am I dealing now with 1.2, is that

Q. Sorry, at the bottom, "Volume 2, document number 4," you see in bold type at the bottom of the page, on the page itself.

A. My folder here is marked 1.1, 1.2, 1.3, 1.4.

Q. 1.2. It's at divider 1.2 yes, I will perhaps I don't want to inundate you with volumes there, Mr. Haughey, but if I just show you

A. Yes, I see here now

Q. And that there was lodged to the account, as we say, on the 11th December 1979, 150,000; and on the 16th January 1980, there was lodged the sum of 355,000.

A. Is that document number 4?

Q. Yes.

A. It's indecipherable to me here.

Q. Yes, it's not very clear, because it's reconstructed, I think, from microfiche, but

A. It looks to me as if there was a debit of 400,000.

Q. No, there is a debit then after that of 600,000. That's the next transaction.

A. I see it, sorry there is a credit

Q. There is a credit of 355,000 that gave a balance on the account then of 505,000. Now, what I wanted to do you have any knowledge of that lodgement of 355,000?

A. No.

Q. Or where that money may have come from?

A. No.

Q. Very good. The next transaction on the account then is a debit of 600,000 which was the monies used to fund the bank draft for 600,000 which was sent to Allied Irish Banks, so it was drawn out of that account. And that left the account in the red then to the tune of about 45,000 well, first of all, perhaps I should ask you, were you aware that 600,000, if it's being sent to Allied Irish Banks you must have been at some stage because you signed the letter acknowledging receipt of it; isn't that right?

A. I was aware of it when I signed the letter but I wasn't aware at this stage.

Q. Very good. In any event, there was a lodgement then on the there is another lodgement to the account then of 50,000, and then there was a lodgement of 150,000 on the

24th January, 1980. Did you know anything about either of those lodgements?

A. No.

Q. Or where the money could have come from?

A. No.

Q. If you turn over the page so, and it is the continuing statement in respect of the account, it's document number 4, page 2.

A. The next thing I have here is document number 5.

Q. I see. Well, perhaps the balance is brought forward then onto the next statement or the next ledger page and that shows a balance of 105,000, and then there is the withdrawal, the 31st January of 1980, of 100,000 which

A. Sorry, Mr. Coughlan, these figures are so faint, I just can't make them out.

Q. I agree they are very faint.

A. I will accept your

Q. Yes, I don't think there is any dispute about them. They are quite faint, but that was that 100,000 was used to purchase a draft which was sent to Allied Irish Banks, again in part discharge of the agreed level of indebtedness with Allied Irish Banks. There was then lodged to the account a credit of 80,662. Again, I ask you, did you know anything about that particular lodgement which was in February of 1980?

A. No.

Q. And then there was a debit to the account of 30,000 made

payable to the Haughey Boland No. 3 account. Did you know anything about that

A. No.

Q. debit? And then there was a 50,000 debit which was used to purchase the draft for Allied Irish Banks which was the final tranche of the payment to Allied Irish Banks, and then there was 5,462 withdrawn, it appears to have been withdrawn in cash. Did you know anything about any of those, apart from the 50,000 which went to Allied Irish Banks?

A. No.

Q. And you don't know where any of that money came from?

A. No.

Q. Now, the account, the which was designated a special account, and as Ms. Sandra Kells gave in evidence, it was opened for a short period of time, appeared to be for a specific purpose and was closed when that purpose was complete. That appears to be the situation on the account?

A. I don't know that, but I accept that seems to be the position.

Q. Yes, and it was opened, as we see, on the 11th December 1979, which was five days before Mr. Traynor's meeting with Mr. Michael Phelan which was on the 17th December 1989, which commenced the concentrated period of negotiation to settle your indebtedness with Allied Irish Banks. I think you can take it that that is the situation, Mr. Haughey.

Now, do you remember in or around that time having a

meeting with Mr. Patrick Gallagher?

A. I don't specifically remember it, but I read his evidence and I accept that such a meeting took place.

Q. And would you accept the rest of his evidence?

A. I might have some difference about the actual details of the meeting; in other words, I would I would be inclined to think that the meeting took the form of my asking him or suggesting to him that he should purchase some Abbeville lands.

Now, on reading his evidence, his version of it is that I asked him for funds to help pay off the Allied Irish Bank loan and then it was he then who suggested that he should take lands in return, but that's I am not I wouldn't quarrel with that.

Q. Right. Perhaps Mr. Gallagher gave evidence to the Tribunal that his father before him and he himself and perhaps his brother had been supporters of yours, political supporters of yours, I think you would probably agree that that was the case?

A. Absolutely.

Q. And he gave evidence that his father died when he was a relatively young man and he was involved in the running of the business, the family business after that?

A. Yes.

Q. I think you can remember that in general terms. And he said that he would have been a political supporter of yours

and might have made modest enough political contributions during the seventies to you, two or three thousand pounds, or matters of that nature?

A. I think that's correct, yes.

Q. And he says that well, first of all, perhaps I should ask you, I take it there was probably a party at Abbeville after you were elected Taoiseach where personal friends and supporters may have been invited. Would that have been

A. I'd say the likelihood is that there was.

Q. And Mr. Gallagher remembers being invited to that, and again I take it that you wouldn't disagree with that?

A. I can't remember that, but I don't think it was a question of anybody being invited. People just came.

Q. Just dropped in.

A. Yes.

Q. Now, he says that on the following Sunday, which he puts at being around the 16th December, he was having a drink with his brother in his local pub and he received a phone call from either his wife or housekeeper to say that you were looking for him and would like to see him at Abbeville.

Can you remember you requesting a meeting with him?

A. I don't, no. I can't remember, but I don't disagree

Q. You don't dispute that that is probably what happened. He said himself and his brother went to Abbeville at around five o'clock in the evening and that his brother, Paul, who was younger than he, stayed in the drawing room while he went to have a chat with you in the study. Would that

seem likely?

A. I don't remember, but I wouldn't disagree with it.

Q. Well, can I take it that okay, well, I'll just continue so and we will try and establish

A. I don't see why, if both of them were coming to see me, that one would have stayed in the drawing room and one see me, but I don't think that's terribly important.

Q. He says that at that meeting, you informed him that as you were now Taoiseach, you would have to tidy up your financial affairs. Does that seem likely?

A. It could be.

Q. And that it was urgent. It was urgent

A. Oh yes.

Q. And that you informed him that when he acquired that 750,000 or thereabouts was required to discharge your indebtedness?

A. I don't recall that.

Q. Do you accept that you did say that to him?

A. I accept the possibility that I did, yes. I don't know why I would have given him the amount, but possibly I did.

Q. I think according to his evidence and what I am trying to establish is where there is agreement and disagreement in relation to the evidence of both of you, Mr. Haughey, he informed you that I am summarising his evidence now of course at this stage that he informed you that he would be in a position to carry a certain amount of the of the amount required, that the company was doing well at that

time. Again, does that seem likely that that was said?

A. It's possible and probably likely, but my recollection is that generally the idea of selling Abbeville lands to the Gallagher group had emanated from AIB and that it was in that context that I would have approached Patrick Gallagher to see if he would purchase some of the Abbeville lands. That was the genesis of what happened.

Q. Yes. Now, again, summarising what Mr. Gallagher gave evidence of to the Tribunal. He said that he withdrew and he discussed the matter with his brother Paul and that he informed Paul that he thought the bottom line might be around 600,000 and that they should go half-way towards meeting that and that between them, they arrived at a figure of 300,000. Now, you would not have been party to that discussion, of course.

Now, he said that he returned to you in the study and he informed you that they were prepared to provide a sum of 300,000 and this is where you and he probably part company in relation to recollections, Mr. Haughey and that he informed you that they had to have something tangible in return and that they wanted to be able to purchase some of the land at Kinsealy for the money?

A. Yes. Well, as you know, my recollection of it is slightly different in that I think the conference from the beginning was that it was that we wished to raise money for the sale of some land to him but...

Q. Well, just entering that caveat at the moment, I will

proceed. 300,000 was a sum of money which was agreed to be paid by Mr. Gallagher to you in any event.

A. I am not sure whether it was 350 or 300,000, but my recollection is that the meeting ended on the basis that he would purchase lands to the value of that and that he would go to see Des Traynor about the details.

Q. Now, again summarising him, he informed the Tribunal that it was agreed between you and he that the details would be developed between he, Mr. Gallagher, and Mr. Traynor and just what he said to the Tribunal was that you told him, "Right, that's fair enough, we will get a hold of Des Traynor and he will put a package together." Would that sound like the type of language that was used?

A. It sounds likely.

Q. Now, he informed the Tribunal that in the early part of the following week, he met Mr. Traynor and got the wheels in motion. Patrick Gallagher understood that Mr. Traynor was liaising with you about the details of the arrangement.

Would that be your recollection of events?

A. Not particularly, but at one stage Mr. Michael McMahon, who was the senior partner in Haughey Boland at the time, was brought in to prepare the contract because he was a tax expert in Haughey Boland & Co and naturally the sale of lands like that would have tax implications, which in fact it did have and we subsequently paid capital gains tax on the sale.

Q. I see.

A. So at that stage there were there was Mr. Traynor and Mr. Michael McMahon and Mr. Patrick Gallagher, and I am not too clear on what the exact sequence of events was.

Q. Yes, but can we take it that you must have some involvement in relation to this? Like your advisers must have been discussing the matter with you?

A. Only in donating the lands in question.

Q. Sorry?

A. Only in outlining the lands in question that were to be sold.

Q. Because that would seem to accord with Mr. Gallagher's recollection of events, that you were concerned about the location of Mr. Gallagher's choice of lands because it would have interfered with your daughter's stud farm. He was interested in some land, I don't know, I think he said around the Feltrim side of the property?

A. I don't think there is anything significant in that.

Q. No, I am not but it's just that you did have an involvement in relation to location of lands and

A. Naturally, yes.

Q. And Mr. Gallagher says that in an attempt to get over this difficulty, he, Mr. Gallagher, offered to purchase an alternative stud farm. Do you remember that? It does form part of the agreement, so

A. Yes

Q. It's probably something that was discussed with you, would you agree?

A. Yes.

Q. And Mr. Gallagher has informed the Tribunal that he didn't believe that this would give rise to any difficulty as the Gallagher family held about 15,000 acres of agricultural land in Dublin and the surrounding counties and that he was of the view that he would be able to find a suitable location.

A. Perhaps.

Q. Now, Mr. Gallagher informed the Tribunal that, and do you remember from the agreement, that a deposit the agreement was drawn up and it was to allow for this 300,000 to be a nonrefundable deposit. Do you remember that?

A. Yes, I remember that.

Q. And Mr. Gallagher's view, as expressed to the Tribunal, was that he regarded the 300,000 as being high in strict commercial terms, bearing in mind what was being agreed to in the agreement, but that he considered it primarily as a donation in order to assist you and the contract for the purchase of lands was a long term strategy. Would you agree with that?

A. I can't agree or disagree, but my knowledge or recollection of the events are that it was it was agreed that he would purchase a certain amount of land, pay a deposit on it because we needed the money to settle our accounts with AIB and that the transaction was handled and the details of it handled by Des Traynor and Michael McMahon.

Q. Now, he also informed the Tribunal that it was not the

Gallagher's group usual practice to agree to a large nonrefundable deposit, but he said that it may have been nonrefundable because in his mind the primary reason for the deposit was to render assistance to you to reduce your indebtedness?

A. That's his view. I can't I cannot agree or disagree.

All I can say is that from our point of view we were prepared to sell land to raise money to contract to settling the AIB debt.

Q. Now, Mr. Gallagher, in evidence to the Tribunal, was of the view that it was unusual that the contract was not formalised between solicitors but that it was explained to him that it was a highly sensitive and confidential matter and that it was better left between Patrick Gallagher and Mr. Traynor. I think he said that this was probably explained to him by Mr. Traynor.

A. I am not aware of that.

Q. Well, did you think it unusual that solicitors weren't involved?

A. My only concern at that time was to get the transaction done and get the money to make the contribution to settling the AIB debt. That was my primary overriding contract.

Q. Well, at any stage, did it occur to you that like selling land is a thing you normally involve solicitors in, isn't it?

A. Yes, but this was this was only the preliminary stage and he was just entering into an agreement, paying a

deposit, I presume solicitors would have been brought in to complete the transaction, but the transaction never was completed.

Q. Well, I think the usual thing is that the solicitors are involved in drawing up the contract, wouldn't that be the usual

A. Yes, but Mr. Gallagher, at least at this time, was dealing with people he professional people whom he knew and trusted, Des Traynor and Michael McMahon, and I think in the circumstances, in view of the urgency of the matter, he was prepared to I don't know, but it seems to me he was prepared to go ahead on this basis.

Q. Well I will come to, in a moment, the views of people on the contract itself. But Mr. Gallagher was of the view that it was highly unusual, and he was a man whose company was involved in property dealings. He was of the view it was highly unusual and he agreed to do it because Mr.

Traynor told him that this was sensitive, I presume because you were Taoiseach and that monies were being paid over for the purpose, both of you believed, was to be used to reduce your indebtedness which you informed us you didn't want people to know about?

A. And I suppose also because it was urgent.

Q. Yes, the urgency was about the money; isn't that correct?

A. Sorry?

Q. The urgency was about the money?

A. Yes.

Q. And from the evidence before this Tribunal and from an overall view of the situation, there wasn't any element of distrust between Mr. Gallagher, yourself, Mr. Gallagher and Mr. Traynor, or you and Mr. Traynor? There was no element of distrust amongst the people who were involved in this transaction?

A. No.

Q. So there wouldn't have been any great difficulty in Mr. Gallagher even sending the money to Mr. Traynor, receiving receipt and expecting that the formalities could have been complete in due course, would you agree?

A. I would agree that that would have been a possibility, yes, I mean, bearing in mind the relationship between

Q. Yes?

A. Yes.

Q. Now, at the meeting between you and Mr. Gallagher on the Sunday after you were elected Taoiseach, Mr. Gallagher has informed this Tribunal that you told him of what the level of indebtedness might be.

Now, do you accept that that happened?

A. I can't recollect it, but before leading up to the final taking over of negotiations by Des Traynor, a figure of 600,000, I think, was mentioned in one of my interviews with maybe we offered 600,000, I think in one of the memos, the AIB memos, there is a reference to the fact that we may have offered 600,000 sorry, I think it was

Mr. Phelan mentioned 600,000, so I would have had that figure in my mind.

Q. So because Mr. Gallagher has given evidence about two figures being mentioned; one was you indicating that about 750,000, he then got the impression that the bottom line might have been about 600,000. So do you accept that there may have been a discussion in that range of figure?

A. Yeah, I think it was the other way round. I think I was talking it was I who was talking it was I who was talking about the 600,000.

CHAIRMAN: I think if I recall the evidence, it may have been that Mr. Gallagher said he stated to you that you would be able to raise some of the money yourself, according to his evidence last year and previously, that is the way the 750 came down to 600.

A. Perhaps.

CHAIRMAN: Can you recall any mention of that?

A. No, I can't recall that, Chairman, but the sorry, would you just repeat the question?

CHAIRMAN: I just asked could you recall Mr. Gallagher saying anything, as he told us in evidence, that after you had mentioned the figure of 750,000, he may have said, well, you can raise some of it yourself, and this may have been why he told his brother 600,000 appears to be the bottom line?

A. I wouldn't disagree with that, no.

CHAIRMAN: Right. Thank you.

Q. MR. COUGHLAN: But in any event, by the time you had this discussion with Mr. Gallagher on the 16th December 1979, Mr. Traynor had already opened an account for the special purpose of clearing your indebtedness with Allied Irish Banks and he had already lodged 150,000 to it; isn't that correct?

A. That's the record, yes. I mean, I had no knowledge that he had lodged the 150,000 as you are putting the accounts to me now, that's what they show.

Q. And did Mr. Traynor not say anything to you about having 150,000 to use?

A. No, no, not at that stage, no.

Q. Now, you know nothing about the next lodgement to that account of 355,000 or thereabouts. Can you say whether that was made up partly of the payment made by Mr. Gallagher?

A. I can't say that, but it certainly seems that that is the same figure or it's composed of the same figure.

Q. Mr. Traynor was a man whom Mr. Gallagher knew well. I think Mr. Traynor had served on some of the Gallagher boards; isn't that correct, in his time? Had perhaps been an adviser to Mr. Gallagher's father or done business with him?

A. I think he may also have been a Director of merchant banking, I am not sure.

Q. He may have been a Director of merchant banking, so he would have had he would have known Mr. Gallagher's father and perhaps known and perhaps been an adviser and a confidante of young Mr. Gallagher, as the more senior man in business, would you agree?

A. Probably, yes.

Q. Why was it you spoke to Mr. Gallagher about seeking funds, whether it was at his suggestion or your suggestion, for the purchase of lands and not Mr. Traynor, if Mr. Traynor was dealing with your affairs?

A. As I said, my recollection is that Patrick Gallagher came to me about the lands, that Mr. Traynor had already indicated to him that we would be seeking to sell lands to him, but I am not sure.

Q. Well, Mr. Gallagher said that there had been no approaches made to him previously?

A. I know that

Q. To this meeting and that you requested him to attend

A. Yes, I know that, but my recollection again is slightly different, but I do confirm that he did, he came to me or I asked him to come and see me and I indicated to him that our wish was to raise money by selling lands to him.

Q. Now, a Mr. Cousins from the Gallagher group, he was a financial controller of the Gallagher group, gave evidence to the Tribunal of actually being requested by Mr.

Gallagher to draw-down the 300,000 which he did and that Mr. Gallagher gave evidence that this went to Mr. Traynor,

I think.

Now, that money was drawn out of the Rotunda branch of Bank of Ireland where they kept their account. Now, did you know that?

A. No.

Q. Did Mr. Traynor inform you at any stage that the monies had been received from Mr. Gallagher?

A. No.

Q. He didn't?

A. No. As I say, my recollection is that I wasn't informed step-by-step, but that when the transaction was concluded, the letter was brought out to me and I signed it but

Q. Well, at that stage, Mr. Traynor, once the transaction was concluded and you and Mrs. Haughey and Mr. Gallagher and his brother, I think, signed the document which forms the contract; isn't that correct?

A. No, I don't think so. I mean, the bank AIB document was only signed by

Q. I beg your pardon. We are talking about two different documents. Yes, the AIB document was signed by you, yes, but the document for the drawing up for the sale of land and the paying of the 300,000 deposit was signed by you and Mrs. Haughey, and I think by Mr. Patrick Gallagher and Mr. Paul Gallagher on behalf of the Gallagher group. And when Mr. Traynor received that, he now had over 500,000 in the account and he then, in the first instance, drew down

600,000 which he sent to Allied Irish Banks and then

Mr. O'Keefe's document was generated which acknowledged receipt of the 600,000, set out the terms and asked for you to sign by way of accepting the terms; isn't that correct?

A. Yes.

Q. That's the sequence of events?

A. Yes.

Q. Now, at that stage, even out of curiosity, did you say to Mr. Traynor, "Where did the 600,000 come from? I may know that some of it came from Mr. Gallagher, but where did the rest come from?"

A. No. I assumed that the remainder was supplied by Guinness and Mahon by way of loan or something of that order.

Q. Did Mr. Traynor say that to you?

A. No, not specifically, no.

Q. Did you sign any documents taking out a loan in Guinness and Mahon?

A. No.

Q. Were you

A. But it seemed to me that that had been the indication when we were when I was talking to AIB about the possibility of paying off the thing, that a figure of 400,000 was there, and my understanding at that time was Mr. Traynor may have said it to me that Guinness and Mahon would be prepared to take over that amount of AIB's debt.

Q. Did Mr. Traynor tell you that?

A. I can't remember, I am sure he must have, somewhere along

the line before, before the final negotiations took place.

Q. Well, there is no record in Guinness and Mahon of any such loan.

A. I am not aware of that, no.

Q. And the do you ever remember paying any monies back to Guinness and Mahon in respect of such a loan?

A. No, but my the accountant whose services I have employed to help the Tribunal has indicated that he believes that the loan raised in the Caymans subsequently would have been used to pay off Guinness and Mahon's borrowing at that time.

Q. I see.

A. He can give evidence on that himself.

Q. I will come to that in due course. We want to examine everything in fairness to everybody, Mr. Haughey, but Guinness and Mahon does not appear to have been the source of the loan for the full amount or for even half of the 750,000. If you just bear with me. 300,000 probably, probably came from the Gallagher money, probably, you accept that, probably did?

A. We can establish it did come.

Q. You accept that?

A. (Nods head up and down.)

Q. The first payment of 150,000 into the account on the day you were elected Taoiseach on the 11th December 1979 was received by Guinness and Mahon from an account at the Rotunda branch of Bank of Ireland on that date?

A. I am not aware of that.

Q. It certainly wasn't the Gallaghers' account, I think Mr. Cousins has established that, that the only cheque he drew in favour of Guinness and Mahon was the one single cheque for 300,000 and it was after that date, but that a sum of 150,000 was transferred from the Rotunda branch of Bank of Ireland to Guinness and Mahon on the 11th December 1979 and that was the money used to open the account.

A. I am not aware of that.

Q. Did Mr. Traynor say anything to you about that?

A. No.

Q. Did you know of anybody who would have made a payment on your behalf from that particular branch of Bank of Ireland?

A. I cannot say that, but I can say that I have no knowledge of anybody having made such a payment.

Q. Well, I am not asking you to mention any names in public now, Mr. Haughey, but do you think you could be of assistance to the Tribunal as to who might have made such a payment out of that particular branch on your behalf on that day?

A. I couldn't speculate about that.

Q. Do you think that it would be unfair to speculate or that you believe that it couldn't be of assistance to the Tribunal even in its private investigative work?

A. I cannot be of assistance to the Tribunal in regard to that sum. As you say, it was paid on the day I was elected Taoiseach, which I am sure you would agree I would have had

many, many other considerations on my mind but

Q. It was a lot of money though

A. I would help the Tribunal if I could.

Q. Yes, but I am just asking, to the best of your recollection it was a lot of money, it was used to open a special account and you say that Mr. Traynor had no discussion with you about its source; is that correct?

A. No, but again, I must say, Mr. Coughlan, that Mr. Traynor had his own way of operating. He was the essence of discretion and confidentiality, and his general approach was, in situations like this: "Leave this to me. I will attend to it." And insofar as possible, he wouldn't bother you with details, where I know 150,000 is not a detail but he wouldn't. He would come to you when the transaction had been concluded and say, I solved that or I did that.

Q. He certainly would not have been the sort of man who would have then suggested to you that you had an indebtedness to his bank and that you had to raise a loan to reduce that if, in fact, you didn't have such an indebtedness, would you agree?

A. I am not sure what that question entails, but he wouldn't necessarily have said to me that my bank is putting up the balance of the money. He wouldn't feel it necessary to do that.

Q. No, he wouldn't say that to you if it wasn't so, would you agree? Mr. Traynor wouldn't have tried to take you to the

cleaners?

A. I am putting it the other way around. He wouldn't feel it necessary to say to me that my bank is putting up the finance because he would know that I would accept that if that's what was happening.

Q. Perhaps I am unclear, Mr. Haughey. Are you saying that Mr. Traynor did not say to you that his bank was putting up the money or did say to you that his bank was putting up the money?

A. I am saying that he didn't say it.

Q. He didn't say it.

A. Yes.

Q. And I think that would accord with the view in looking at many transactions in the course of his banking career, that he would not have suggested to a customer or a client that they owed him money when they didn't owe him money, wouldn't that be correct? So, therefore, no matter how much we might speculate or guess as to the source of the balance of these funds, it could not all have come from Guinness and Mahon.

A. Why not? I don't understand that.

Q. We know that 300,000 came from the Gallagher group.

A. Yes.

Q. We now have evidence that 150,000 arrived in the account from the Rotunda branch of Bank of Ireland, so, therefore, Guinness and Mahon were not the source by way of loan or otherwise of that 150,000; isn't that correct?

A. I can't speculate, but unless there was some agreement between Guinness and Mahon and the Rotunda bank.

Q. There is no such agreement either in the records of Guinness and Mahon or Bank of Ireland, that there was an agreement for a loan of that nature.

A. As I say, I can't speculate.

Q. And you didn't sign any documents, if I could just clarify that, you didn't sign any documents raising a loan with Bank of Ireland?

A. No, never. As I said before, I had no knowledge that this account, this J D Traynor account, special account, existed or any details of it until, as I say, the Tribunal here turned it up.

Q. Now, we now can see where 450,000 came from at least; isn't that correct, knowing the actual source of 300,000 being Mr. Gallagher. We have 150,000 coming from the Rotunda branch of Bank of Ireland. We have 300,000 coming from Mr. Gallagher. That amounts to 450,000 pounds. Now, there is now, there was another lodgement to that account on the 24th January 1980 of 150,000, and from the evidence given by Ms. Sandra Kells, I think you can take this as being correct, Mr. Haughey, it was for 150,000 and for the records of Guinness and Mahon, it was a cheque which was presented by Guinness and Mahon for special clearance in the Central Bank, and this cheque was for the crediting to an account of J D Traynor. So there is another 150,000 which Mr. Traynor received by cheque, and

if I could just explain, it wasn't a Guinness and Mahon cheque, it didn't come out of Guinness and Mahon, it couldn't have, and it was presented for special clearance to the Central Bank to allow it to have value for that date and time for crediting to Mr. Traynor's special account.

A. I have no idea what that is

Q. It's technical and we had to go through that evidence with Ms. Kells

A. When I saw it first I was amazed that I thought it came from the Central Bank.

Q. If something is large enough you can get special clearance to allow it not to go through the collection system. It has two advantages I think. First of all, you get immediate credit rather than waiting the two or three days it takes to go through the system. I should just say that it doesn't come from the Central Bank, it goes via the Central Bank?

A. That's what mystifies me when I saw it first.

Q. It comes via the Central Bank. But that sum appears to have been obtained or sorry, that cheque appears to have been presented by Guinness and Mahon by Mr. Traynor, I'll use it in shorthand on the day that the letter from Allied Irish Banks was signed by you, and that letter had acknowledged receipt of 600,000 but another 150,000 had to be obtained to pay 750,000.

Now, again, that did not come by way of a loan from Guinness and Mahon. It came from some other source.

A. I don't know.

Q. Well, I can tell you that it had to come from another source, an external source, because Mr. Traynor was presenting it for clearance to lodge to the account.

A. It may have come from some other funds of his or some other arrangement he had made, I don't know.

Q. Well, there is no record in Guinness and Mahon of any such movement or transaction on any of his accounts or any special accounts for that sum on that day.

A. I can only say that I cannot confirm or deny these details, but I can only say that my understanding of it at the time that Guinness and Mahon were a certain amount of money was being raised from the sale of lands and that by or through Guinness and Mahon, the balance was forthcoming, and as I say it was somewhat on that basis that our discussions in the previous six months or so had been taking place.

Q. Well, would you agree with me that it would appear from the evidence which has been given to the Tribunal that in the first instance, 150,000 came from the Rotunda branch of Bank of Ireland, 300,000 came from the Gallagher group and it would now appear that another 150,000 came from some source, again unknown, and that that amounted to 600,000 in the account which did not come by way of loan from Guinness and Mahon?

A. I can neither agree or disagree with that. I don't know.

Q. Well, do you think that it came from Guinness and Mahon?

A. I beg your pardon?

Q. On the evidence, Mr. Haughey, do you think that it came from Guinness and Mahon?

A. This is that was also my view, that Des Traynor had arranged it, I assume through Guinness and Mahon, but perhaps he had arranged it from another institution, I don't know.

Q. And are you seriously suggesting, Mr. Haughey, that Mr. Traynor first of all, did he have a power of attorney to do that for you?

A. I beg your pardon?

Q. Did he have a power of attorney from you to raise loans on your behalf?

A. No.

Q. You were, as you said in evidence yourself before, extremely sensitive to your financial situation when you became Taoiseach because it could have had political implications for you; isn't that correct?

A. Yes.

Q. And you wanted this indebtedness cleared; isn't that correct?

A. I beg your pardon?

Q. You wanted the indebtedness cleared. You didn't want to have an indebtedness?

A. A settlement made, yes.

Q. A settlement made. Did you give any instructions to Mr. Traynor that you would have permitted other levels of

indebtedness to arise in respect of you?

A. He wouldn't need such instructions. He had those implicitly. He was perfectly entitled to take any action that he saw in my best interests.

Q. Including asking people for money for you?

A. Possibly.

Q. Because you signed no documents, Mr. Traynor did not inform you that he had raised a loan for you; isn't that correct?

A. This particular loan?

Q. Yes, to clear the debt with Allied Irish Banks.

A. Mm-hmm.

Q. You were ignorant as to the source of the 750,000, with the possible exception of the Gallagher money; isn't that correct?

A. No. The possible exception, with the exception.

Q. With the exception, you accept that?

A. Yes.

Q. And you never asked Mr. Traynor where did the rest of the money come from?

A. No, because I assumed it had been raised he raised it or provided it from his own bank, Guinness and Mahon.

Q. But how could you have assumed that?

A. Because

Q. How could you have assumed that?

A. Because Des Traynor was that sort of man. He solved problems. His standard form was: "Leave that with me, I'll look after that."

Q. Now, you presumed that, but you also accept that it could have involved Mr. Traynor asking people for money on your behalf; isn't that right?

A. Not I am not necessarily saying that, but he may have had at his disposal other funds, I don't know.

Q. Where do you think they would have come from?

A. I don't know.

Q. Would they have come

A. He operated a large system of looking after people's financial affairs.

Q. Yes. Now, at that time you accept that Mr. Traynor could have asked people for money for you; isn't that the correct? Possibly?

A. Well, Mr. Coughlan, isn't that would that be speculation on my part? I don't know whether he did or not.

Q. You said previously a few moments ago, in evidence, when I asked you could it have included Mr. Traynor asking people for money, that is raising the money, you said possibly?

A. In this context?

Q. Yes.

A. I don't rule it out.

Q. And from the evidence that you now see, that must have happened, mustn't it?

A. No, I don't accept that.

Q. And where do you think the money came from so, Mr. Haughey, from the evidence you now see?

A. As I say, Des Traynor was a man of very great financial

skills and resources, and I believe that he was quite capable of providing that from some resources or funds over which he had control or even from his own bank. I still cannot rule out the fact that Guinness and Mahon did not contribute to this settlement.

Q. Well, Mr. Haughey, let's take it bit by bit again, so. I thought we had been over this.

150 300,000 came from the Gallagher group. That's a given.

A. Yes.

Q. 150,000 came from the Bank of Ireland Rotunda branch. That is established.

A. You tell me that, yes.

Q. That is what the records show.

A. Well, I accept that.

Q. You accept that. The records also show that 150,000 was cleared via the Central Bank for special clearance on the 24th January 1980. So, therefore, it could not have come by way of a loan from Guinness and Mahon, because it was to debit back into Guinness and Mahon it was to credit back into Guinness and Mahon. You accept that?

A. Yes.

Q. So now, 600,000 of the 750,000 did not come from Guinness and Mahon. Do you accept that?

A. I suppose I have no as you are putting it to me now, I suppose I have no alternative but to accept it but what I

keep repeating to you is at the time I believed the balance came from Guinness and Mahon.

Q. But why should you have Mr. Traynor didn't tell you that, you told us?

A. It was part of our discussions pre-December '79.

Q. But if you had well, when you had the discussion with Mr. Patrick Gallagher, on your own evidence, you believe that the sum of 600,000 may have emanated from you?

A. Yes.

Q. So at that stage, notwithstanding any discussions you had with Mr. Traynor prior to the 16th December, which was the date of that meeting, you could not have been of the view as of that date that Guinness and Mahon were going to provide anything because you were asking Mr. Gallagher to deal with it on that date; isn't that correct?

A. I don't think that follows it was quite, it was quite possible I would have had sought the maximum amount from Mr. Gallagher by way of sales of land, but would always have the understanding that Guinness and Mahon would make up whatever shortfall there was.

Q. So it was are you telling the Tribunal, so, it was your understanding that Guinness and Mahon were going to deal with any shortfall there was following on what you had agreed with Mr. Patrick Gallagher?

A. No, that wasn't my understanding. As I say, prior to December there was a sum of 400,000; 600,000 was in the air as a possible settlement, and my feeling at that time was

that, and possibly as a result of a discussion with Mr. Traynor, that Guinness and Mahon would take over that amount, but I cannot be too accurate about this. It's a long time ago. I can only recall the conversations I had as best I can, and as I say, there were many other things on my mind at the time, but I am giving you, as far as I can, an accurate outline of the conversations I had and what my knowledge was.

Q. This was and I appreciate you had entered the office of Taoiseach with many onerous responsibilities, but this was weighing extremely heavy on your mind, wasn't it, because this made you vulnerable to political opponents?

A. Yes. Once Des Traynor took over the negotiations which he did in full, he took them over completely and went into direct negotiations with Allied Irish Banks, and once that happened, I was happy that the matter would be solved and that was my main consideration.

Q. Yes, I understand that. You entered negotiations with Patrick Gallagher yourself?

A. Not negotiations.

Q. You asked for the money

A. I proposed to him

Q. You asked for the money?

A. Asked for money?

Q. Yes, that's what Mr. Gallagher says.

A. Well, as I said to you, we disagree slightly on that. My suggestion was that he sorry, my recollection is that

when he saw me I proposed to him that we should raise some money by selling him some land. Now, that's my recollection, but I am not I can't be adamant about that.

Q. That's a matter that has to be resolved by the Sole Member at some stage. I don't want to get into great detail or argument about it with you, Mr. Haughey.

A. Thank you.

Q. But when the deal was done with Allied Irish Banks, the security in respect, that they held in respect of Abbeville was released; isn't that correct?

A. Yes.

Q. They continued to hold some securities in respect, I think, of Inishvickillaun and the property in Sligo. Now, if you believed that Guinness and Mahon were providing the balance of the funds, I am asking you to identify what evidence you had that could have led you to have such a belief?

A. What?

Q. What evidence you had at the time that would have led you to have had such a belief? Mr. Traynor did not tell you that Guinness and Mahon had provided the money; isn't that correct?

A. No.

Q. You signed no documents.

A. No.

Q. You pledged no securities to Guinness and Mahon.

A. No.

Q. Or to any other constitution.

A. No.

Q. And what I am asking you, as I have to on behalf of the public here, Mr. Haughey, is how you could have honestly held such a belief at the time in light of that?

A. Because Des Traynor had undertaken to sort out this problem. He was the Chief Executive of Guinness and Mahon. It was my always my understanding leading up to this matter that whatever we could raise by the sale of land, perhaps wrongly, but I understood that the balance would be put forward, taken over by Guinness and Mahon.

Q. Now, I'll come back to the actual agreement entered into with Mr. Gallagher in a moment, but if I could just go back for a moment to the settlement with Allied Irish Banks, just in general terms, if I may.

Now, at the time Mr. Traynor entered that final phase of negotiation, which was over a short period of time and probably fairly concentrated in his dealings with Mr. O'Keefe and/or Mr. Crowley, the indebtedness had reached a level of 1.143 million, I think, and interest was not added thereafter, but by the time the whole transaction was complete on paper, it could have amounted to about 1.3 million, on paper. I think you accept that, don't you, on the calculations?

A. 1.3?

Q. Yes, on the calculations, it could have on paper amounted to that. Now, the way and I'll take it back to how it

was standing when Mr. Traynor started the negotiation standing at 1.143 million. The bank allowed, and you can take these figures from me as being correct on this, the bank allowed 110,000 to stand in its books free of interest and effectively with no way of legally enforcing that indebtedness; isn't that correct? That's the way that was left, the 110,000, would you agree?

A. Yes.

Q. 750,000 was paid. And the rest which would have been interest was written off. That was the way it was done; isn't that correct?

A. Yes.

Q. Now, the first time the bank agreed to such a deal with you, that is writing off a substantial portion of interest, allowing portion of the debt stand without legal enforceability as an interest-free amount on their own books was when Mr. Traynor entered the negotiations on your behalf and concluded the deal; isn't that correct?

A. Yes.

Q. And the bank, at that stage, allowed the negotiations to be conducted at the most senior level in the bank; isn't that correct, by Mr. O'Keefe and Mr. Crowley himself?

A. Yes.

Q. And I think on a previous

MR. McCARTHY: I don't think, Sir, there has been evidence of the involvement of Mr. Crowley in negotiations.

MR. COUGHLAN: Very good. Well, Mr. Crowley may not have been directly involved in negotiations but he asked Mr. O'Keefe to conduct him on his behalf when Mr. Traynor made the contact. I think you can take it that that is the situation.

Q. Now, you, when I asked you about this in July, accepted that it was appropriate that Mr. Traynor should be dealing with somebody at that level in the bank and it was probably appropriate that somebody at that level in the bank should have been dealing with your affairs by virtue of the office you now held as Taoiseach; is that correct?

A. Yes.

Q. And this was the first time that the bank indicated to you that they were prepared to write-off interest; isn't that correct? It was the first time they indicated to you they were prepared to do that?

A. I couldn't confirm that, Mr. Coughlan.

Q. Well, just

A. You mean going back over all the discussions?

Q. Yeah it looked as you were always the one that was looking you were always saying, look, would you do it for this or that? And you were always told no?

A. Did Mr. Phelan not at some stage suggest 600 would be

Q. He said that it might be, but he couldn't guarantee anything.

A. That would involve interest, wouldn't it

Q. That was coming close to the time when you had indicated to him that there was a prospect of you holding the highest political the highest office in the government, at that time?

A. No, he knew that.

Q. Around September of that year, or thereabouts?

A. I didn't have to tell him that, he knew that.

Q. You see, what I am suggesting to you, Mr. Haughey, and I am suggesting it to enable you to comment upon it because it's inextricably linked with the Term of Reference (a), is that the settlement which gave rise to a benefit to you was connected with the public office you held, that the deal was done by reason of the fact that you were now Taoiseach and it was the first time the bank had indicated they were prepared to deal on that basis. Do you have a view on that?

A. That's not so.

Q. Why do you say that Term of Reference (a)

A. I believe that the bank were had been anxious for some years before that to get this account settled and they were, they would have settled it at any time we could have settled it.

Q. Do you accept that at the time that this settlement took place, bearing in mind the agreement you enter with Mr. Gallagher for the sale of land to him at 35,000 an acre, that there was more than adequate assets available to discharge the full amount to Allied Irish Banks?

A. Provided the sale had gone through, yes.

Q. And Allied Irish Banks never attempted to call in any of its securities or to indicate to you that they would go after any assets of yours in respect of your indebtedness; isn't that correct?

A. Sorry, I don't follow that. Are you talking now before December?

Q. Before December. They never called in any of the securities. Never moved on them?

A. No, not specifically, no.

Q. They never informed you that they were going to that you had more than sufficient assets to meet your level of indebtedness and more; and, therefore, that they would take whatever action was appropriate in the circumstances.

A. Well, they continually pressed me to settle the debt.

Q. And after you became Taoiseach, a very large amount of interest was written off and some of the indebtedness was carried on in unenforceable agreement on the books of the bank; isn't that correct, after you became Taoiseach?

A. I think Mr. Scanlon indicated that the settlement of my particular debt with AIB was not out of keeping with the general sort of commercial settlements that the bank made.

If I'm right, that was his evidence to this Tribunal.

Q. And we will look at, by way of comparison, Mr. Haughey, at a later stage I am not trying to in any way discount

Mr. Scanlon

A. No I don't think it was made to me.

Q. You don't think so?

A. No. In fact, I think as my knowledge of the general situation going back to that particular time, all over the country substantial settlements of that nature had been made to banks, by companies and individuals.

Q. Have your general knowledge was that normally or not more usually in a situation where there were not sufficient assets to satisfy the bank's indebtedness?

A. At that time we were all very concerned with the situation of farmers all over the country, there was great indebtedness to banks with very large settlements and write-offs of interests were made.

Q. And I think from your general knowledge as a politician and as a Taoiseach and a Minister, he would have known that that type of activity was going on and it would have been important that you should have known it?

A. Yes, I was very involved in a lot of them.

Q. And I think that is so, and we will come to lead some evidence on that, Mr. Haughey, at a later stage. There were some very substantial write-offs particularly in respect of farmers, but where there were not sufficient assets to meet the full level of indebtedness?

A. I wouldn't know about that, but I just know that in answer to your general statement at that time and I am sure since, banks were prepared to write-off interest in order to procure a settlement.

Q. Very good. Well, you understand, Mr. Haughey, I have to

afford you an opportunity of commenting on it, lest there be any finding at some stage, and you have to express your view on it.

Now, just so that it will assist the Tribunal in doing any comparisons in this area, none of this money that you owed Allied Irish Banks arose out of the advancing of money to you by Allied Irish Banks for the purchase of farm land; isn't that correct?

A. I don't know why you are making that statement, Mr. Coughlan, I can't be sure off the top of my head. I mean, I did buy a farm out in Ashbourne.

Q. That was the Rath Stud.

A. Yes.

Q. That does not appear to have been funded by a loan from Allied Irish Banks. They were running accounts all right in respect of Rath Stud?

A. I can't be sure.

Q. You can't be sure, very good. You can't be sure. It certainly wasn't money advanced for the purchase of Abbeville by Allied Irish Banks?

A. I can't be sure about that either. Abbeville we certainly borrowed money to buy Abbeville.

Q. Not from Allied Irish Banks, though, according to the records?

A. I think I'd have to check that.

Q. Very good. If you can, it would be of assistance because we want to do this comparison properly.

Just in that regard, as you mentioned Mr. Scanlon as well, could I ask you for your view, and it may be that it's contained in the documents we have already opened where you effectively complained might be too strong a word, but informed Mr. Phelan that you didn't feel that the bank were making suffuse of your position, and you clarified that by saying your position in terms of friends in the business community and that nature?

A. Absolutely, yeah.

Q. And Mr. Scanlon, when he was asked how the debt was allowed build-up, expressed the view that it may be that the bank had a view that you were what they described in those days, as a key business influencer and that there are you were an asset to the bank, but that wasn't your understanding of how the bank viewed you at that time; is that correct?

A. I don't think I had any particular view for or against that view.

Q. They certainly didn't, as you yourself understood it, made any use of your position

A. I think that was a throw-away remark.

Q. I see. Now, if I may come to the document which formed the contract. Perhaps before I do that, from your general knowledge, have you ever heard of a situation where a bank has allowed an indebtedness stand legally unenforceable in its book without any interest being charged to it?

A. I am sure I have.

Q. You have heard of that?

A. I am sure I have, yes.

Q. I see. Can you tell us when you heard of that?

A. No, no, but I think you will probably get evidence better than me, but I have a feeling that sometimes settlements were made with companies and individuals and an amount is left outstanding simply on the books as it were. I am not sure of that, but I think it's possible.

Q. Now, the agreement that was entered with Mr. Gallagher, it's at 1.3, divider 1.3 of Volume 2. Just before I do, would you agree, just from a general understanding of the settlement with Allied Irish Banks, that in effect, there was about, in paper value at least, about 400,000 or thereabouts effectively written off when the agreement was reached? There was 750,000 paid, there was 1 I am taking it at its most beneficial period to you in that respect, Mr. Haughey, when Mr. Traynor entered upon the negotiations, there was 1.143 standing on the books at that stage, so it was about 400,000 or thereabouts written off?

A. You are 100,000 still outstanding.

Q. Would you not think that that was written off?

A. Well, I think so, yes, but it was you, Mr. Coughlan, who are making the point that it was still very much an outstanding debt.

Q. That's because you joined issue with me, Mr. Haughey, because you said you felt that the lands at Abbeville hadn't been sold yet, but we'll leave that for the moment.

About, 390 400,000 odd. Now, the agreement entered into with the Gallagher group reads that:

"This agreement made between C J Haughey, Mrs. Maureen Haughey Abbeville, Kinsealy, County Dublin hereinafter called the vendors and Gallagher Group Limited, Sean Lemass House, St. Stephen's Green, Dublin 2, hereinafter called the purchaser.

2. Gallagher Group Limited have agreed to purchase the area identified and ringed in blue on the attached map of approximately 35 acres at 35,000 per acre.

3. The above agreement is subject to the conditions that the purchaser will provide the vendor with a stud farm of at least 60 acres of land with appropriate stables and within a radius of 20 miles of the general post office, preferably in North County Dublin. The new stud farm and the cost thereof will have to meet with the approval of the vendors. The cost of the new stud farm will be deducted from the purchase price.

4. The transaction will be completed within six months of the vendors indicating in writing their approval of the new stud farm. The balance of the purchase price will be subject to interest at 5 points above the Associated Banks treble A rate for any period after the stipulated completion date during which completion is delayed.

5. A deposit of 300,000 has been received and it here by acknowledged. The balance of the purchase price will be payable on the completion date.

6. In the event of transaction not being completed before the 31st December 1985 the deposit of 300,000 will be nonrefundable but Gallagher Group Limited will have no further obligations under this agreement.

7. Should the events set out at number 6 come into effect the vendors agree to grant Gallagher Group Limited the right of first refusal for a further period of two years from the 1st January 1986."

That was dated 27th January 1980. And it was signed by you, Mrs. Haughey and I think Mr. Patrick and Paul Gallagher on behalf of the Gallagher Group.

Now, do you remember signing that?

A. I don't remember specifically what day or date I signed it but certainly I signed it.

Q. And the money had been received by the time it was signed or look, I am not going to go into great detail or argument about the dates that are put on documents and people signing them, Mr. Haughey. If you can recollect I'd be obliged if you would. Do you remember if the money had already been received when this particular contract was signed?

A. No. But I mean the letter was put before me by my

advisers, Michael McMahon and Des Traynor for signature and that was good enough for me.

Q. Now, at that time I take it that you had a firm of solicitors as well?

A. I had a which?

Q. A firm of solicitors. Your own solicitors, personal solicitors.

A. Yes.

Q. And can I take it that you would have, as one would expect, have trusted one's own solicitor in respect of confidentiality?

A. Yes.

Q. And any other solicitor acting on the other side, that's at the core of the practice of law, isn't it?

A. Yes.

Q. Now, the money would appear to have been received because Clause 5 says, "A deposit of 300,000 has been received and is hereby acknowledged." Now sometimes that may happen at the same time. Can you remember if it did happen at the same time or not?

A. Which, the deposit?

Q. Yes, you signed the documents and the money is handed over there and then or had the money already been received?

A. No, I don't think I ever actually received any money.

Q. Now, Mr. Traynor with all the skill and experience was not trained in law, is that correct, he wasn't trained to draw up contracts of a legal nature?

A. Only as an accountant.

Q. As an accountant. And likewise anyone who was acting on your behalf giving tax advice from Haughey Boland?

A. Well Michael McMahon was very experienced

Q. Tax

A. Yes, but he was a very experienced all round accountant.

Q. Now, I think would you agree that the document itself is unusual?

A. That has been said.

Q. And even leaving aside things that it doesn't comply with the standard form of contracts from the Law Society, I am not even going into that area, that doesn't need to be said, it doesn't comply with the standard form of contract that emanates from the Law Society, does it? I don't think there is any doubt about that. But it contains a number of extremely unusual features, I would suggest to you. First of all, the price per acre of the land was very high for the time, wasn't it?

A. I can't recall.

Q. Well, can you recall - maybe it's still the case because of course nothing ever happened about this - the land was zoned agricultural land.

A. Yes.

Q. There was no question at that stage of it being rezoned or any planning being applied for in respect of that land.

A. May I say on that, if I may volunteer?

Q. Yes.

A. The general view was, I think, expressed by some of the people involved, that in the housing situation that prevailed at that time and the Gallagher Group being known to produce houses, that they didn't anticipate that there would be any problem about planning permission. I think that has been said somewhere.

Q. And Mr. Gallagher might also have taken the view that a large group like that creates land banks and it takes a longer term view than somebody who wants to do something immediately and I concede that that is so, Mr. Haughey.

Nevertheless, anyone even taking a long term view, would you agree, behaving commercially, is not going to pay over the odds or greatly over the odds to get land when there is plenty of other land available, would you agree?

A. I can't comment on that. It wouldn't be within my competence.

Q. Now

A. But could I just by way of comment, looking around today, 35,000 an acre seems very, very small indeed.

Q. Oh 20 years on, yes.

A. I know.

Q. Absolutely, yes, but at the time, that was way above agricultural value, wasn't it?

A. Yes, but I am not sure it wouldn't I don't know, sorry.

Q. Well, if that deal had gone through, if that deal had gone through as being a commercial deal at 35,000 an acre for 35 acres, there would have been more than enough money in the

sale of 35 acres to pay off Allied Irish Banks almost in full, would you agree? It's over 1 million, if there was any real commerciality to this particular agreement.

Would you agree?

A. I am not sure what you are saying to me, that if this transaction had been completed it would have brought in a million pounds roughly?

Q. Yeah.

A. And?

Q. If the purpose of raising the funds, and it was a purpose that you had of raising funds by talking to Mr. Gallagher, was to get money to pay off Allied Irish Banks, now whether the suggestion came from him or from you that it was for the sale of land, if the deal had been completed, that is that if the 35 acres had been sold for 35,000 an acre, it would have yielded 1.225 million and of course that would have left, even if you had paid Allied Irish Banks every ha'penny of interest and done no deal with them, it would have more than satisfied that but on the agreement you were reaching with them, it would have left a substantial sum of money over in cash, would you agree?

A. I think isn't there a Clause 6 here "In the event of the transaction not being completed before 31st December 1985..." So it was obviously something in the long term.

Q. That may or may not be so, but I will come to that in a moment

A. Because Des Traynor and Michael McMahon were dealing with

an immediate situation where they had to get money to solve the pressing AIB situation. This deal wouldn't necessarily come to fruition until five years later.

Q. No well in the event of it not but I'll come to that.

I don't want to get too bogged down in a legal argument, Mr. Haughey, with you about it. There was nothing to stop either party attempting to complete that deal as quickly as possible. There was nothing to stop anybody but that's neither here nor there for the moment. I'll come back to it.

Now, the agreement was subject to the condition that the purchaser, that is the Gallaghers, would provide a stud farm of at least 60 acres within a 20 mile radius of the general post office, preferably in the North county, that the cost of it would be deducted from the final contract price but that it was a term of it that the new stud farm and the cost thereof would have to meet with the approval of the vendors.

Now, it meant that it was always open to you and Mrs. Haughey as the vendors here to say that that stud farm does not meet with our approval and there was no provision made in the agreement as to how such a difficulty could be resolved. Isn't that right?

A. That particular clause put in my Michael McMahon, I don't know why he put it in, but I think Patrick Gallagher, I think you will agree that Patrick Gallagher said something

about this aspect of it.

Q. I beg your pardon?

A. I think Patrick Gallagher said something about providing an additional or a substitute stud farm

Q. Yes, I think did that arise out of your concern that if some land interfered with a stud farm, Mr. Gallagher's comeback to that was that another stud farm could be provided?

A. That's his evidence, yes, but would it not be the situation in law, if we were totally unreasonable about accepting

CHAIRMAN: Yes, that occurred to me, Mr. Haughey, if, for example, about consenting to assignments, that a landlord may not unreasonably withhold consent which I imagine is what you are thinking of. This is the sort of thing that I suppose solicitors would have put in. Did you in fact informally discuss the matter with your personal solicitor?

A. No.

Q. MR. COUGHLAN: But you do remember that it was Mr. McMahon who put in this particular clause?

A. He drew up this document.

Q. Well do you know why that particular clause was put in in that form?

A. No, I don't. The only hint we can have is what Patrick Gallagher said.

Q. Now, what the contract purports to suggest is that the transaction will be completed within six months of the vendors indicating in writing their approval of the new

stud farm and that the balance of the purchase price will be subject to interest of whatever, five points over the triple A rate for any period, and then a nonrefundable deposit which was 25 percent of the agreed purchase price rather than the more usual 10 percent. Now, Mr.

Gallagher's explanation for that was that this was money that had to be got to you for the purpose of reducing your indebtedness and therefore, that's why the larger than usual deposit went into the agreement. Would you accept that?

A. That sounds feasible to me.

Q. Now, the Gallagher Group got into difficulties in the late '82 towards the end of 1982, isn't that correct, and Mr. Lawrence Crowley ultimately became a Receiver of the company, of the companies? Now, Mr. Crowley has given evidence to this Tribunal that he, as Receiver, considered the terms of this agreement unusual, would you agree with that yourself?

A. Not necessarily, no. Was he referring to the, providing the additional stud?

Q. There were a number, and remember he might have been viewing it from the same sort of trained professional eye that you yourself or Mr. McMahon might have been viewing it from the accountancy side of things perhaps, that the price, he felt was, and that was closer to 1980, the price he felt was on the high side for what was agricultural land. I am leaving aside that it didn't satisfy the

general conditions of the Law Society contract. That it contained that particular clause providing the stud farm, it was subject to the approval or meeting the approval of the vendors and that there was no mechanism agreed as to how that would be resolved if there wasn't agreement on it, the size of the deposit and the fact that providing for such a long potential closing date in the contract, that it was nonrefundable. Now, he viewed all those as being unusual features and I am asking you what's your view on it?

A. Well my view about it is that this transaction was put together by two trusted advisers of mine, Des Traynor and Michael McMahon. That they seemed to believe that it was in order. It met our overwhelming need for a substantial sum of money there and then and that as Mr. Patrick Gallagher had insisted that it was, in his view, a commercial transaction.

Q. Is that your view?

A. I have no particular view at this stage.

Q. Well what is your view? Do you think that it does from your training initially, your experience of life, your experience of commercial matters, what's your view of it Mr. Haughey, of that particular document? Do you think

A. You mean in looking backwards or now?

Q. Now. What's your view?

A. I think in all the circumstances and bearing in mind that Patrick Gallagher was a friend and anxious to be of

assistance, that it was a reasonable agreement to enter into, having regard to all the factors.

Q. And that includes factors, would you agree, over and above purely commercial factors?

A. The pressure

Q. The pressure on you

A. From our point of view, yes, but taking that into account, he was satisfied that it was a commercial transaction.

CHAIRMAN: We are just about on the two hours or slightly over it, Mr. Coughlan, so unless you have a couple of short matters linked with what you have been asking, we might consider pausing there but if there are some matters by way of windup you wish to deal with, please do so.

Q. MR. COUGHLAN: I may have to take some of this up, Sir, again, but I think you would agree, Mr. Haughey, that Mr. Crowley, when he took over as Receiver, found no evidence of any attempt by, either by the Gallaghers or by you to do anything to move this agreement along, would you agree?

A. Well, as far as I was concerned, the temporary immediate urgency of the situation had gone away and as far as the Gallagher Group were concerned, I think very, very shortly after that they were in very deep trouble and probably certainly not anxious to do anything.

Q. Yes, well two years had elapsed from the time of this agreement. No attempts had been made by Mr. Gallagher to provide a stud farm. No attempts had been made

A. Do we know that?

Q. Yes, he gave us that evidence. He took no steps to try and provide a stud farm. No attempts were made on your side to try and hurry things along and say could we get on with this agreement. Would you accept that?

A. No. As I said, we weren't in any particular hurry because the immediacy of the situation had been resolved.

Q. Isn't the reality of the situation in real terms, Mr. Haughey, that the payment of 300,000, notwithstanding this particular agreement which was entered into, was more connected with the office which you then held as Taoiseach and the immediacy of discharging the indebtedness to Allied Irish Banks?

A. No, I don't accept that.

Q. Perhaps we will stop there.

CHAIRMAN: Very good, Mr. Haughey, we will resume at 10:30 tomorrow. I think, Mr. Coughlan, because of ongoing investigations that the Tribunal is pursuing both as regards further sittings and as regards ongoing aspects of private investigation, it is not feasible in these initial days to proceed with supplementary or afternoon evidence.

MR. COUGHLAN: That is so, Sir.

CHAIRMAN: Very good. Half past ten tomorrow morning so.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,
FRIDAY, 22ND SEPTEMBER 2000 AT 10:30AM.