

THE TRIBUNAL RESUMED AS FOLLOWS ON FRIDAY, 29TH SEPTEMBER

2000, AT 10:30AM:

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

Q. MR. COUGHLAN: Mr. Haughey, I will be, in the first instance, drawing your attention to divider 1.5 in volume 3, that's the volume entitled, "Part 1 to 5." And then I will be going to volume 3, part 6 to 7, if you have that volume with you. I'll be dealing with what's described as the Merchant Bank loan, but I'll bring it to your attention in a moment. If you just bear with me for a moment and I'll deal with the first volume first.

If you wouldn't mind going to divider 1.5, Mr. Haughey, and what this is, is a table of expenditure that we have drawn up looking at the bank statements and looking at the drawings in the number 1 account in your name in Guinness and Mahon. And what I want to draw your particular attention to is the second page of that Table 1 of expenditure. And if you go towards the end of that page, you will see a number of drawings in favour of Merchant Banking Limited. Do you have those?

The first one is on the 4th June 1982. Do you see that?

And I think the first drawing is in favour of Merchant Banking Limited and it's for the sum of 11,836.77. There is another drawing on the same date made payable to Merchant Banking Limited for 6,541.78. Then on some date

in June, we can't make it out exactly, but it's probably the 16th June 1982, there is a drawing in favour of Merchant Banking Limited for the sum of 4,717.94 and also on the 16th June, there is a drawing in favour of Merchant Banking of 129.55.

Now, I'll come back to deal with those, but I just wanted to draw to your attention that those drawings took place out of the number 1 account in your name in Guinness and Mahon.

Now, if you wouldn't mind then going to volume 3, parts 6 and 7, and you will see there is a flag indicating part 7, that deals with the Merchant Banking loan.

A. I can't find it at the moment, Mr. Coughlan, but

Q. Well, I'll try and get you one, so, Mr. Haughey. It's the second

A. Seven?

Q. Yes, part 7. Now, just to explain to you, the evidence the Tribunal heard about this particular loan was evidence given by Mr. Patrick Shortall, who gave evidence on the 8th July 1999, that was day 27; Mr. Peter Fitzpatrick, who gave evidence on the 15th July 1999, day 31, and there is an affidavit of Mr. Patrick Gallagher of the 8th July 1999, and it was opened into the record of the Tribunal on day 27.

And the Tribunal raised queries with you by letter dated

24th June 1999, and you were asked to: "Confirm that the loans were repaid with funds debited to your account with Guinness and Mahon"; and you were also asked to: "Comment on the circumstances in which no demands were made for the repayment of the loans from the date in which they were advanced to the date of liquidation of the bank and the circumstances in which no payment of principal or interest was made by you in those years." That's the general area of inquiry.

Now, if I could perhaps, first of all, deal with evidence given by Mr. Patrick Shortall.

A. We are on number 7 still?

Q. Yes, I am still on number 7. And I think what we furnished you with the documents referred to in the evidence of Mr. Shortall and Mr. Fitzpatrick. But if I could just summarise the evidence and you can take it from me it's accurate.

Mr. Shortall gave evidence that a petition for the winding-up of Merchant Banking Limited was presented on the 30th April 1982. I think you may, in general terms, be aware that there was such a petition for the winding-up of Merchant Banking at sometime, you may not know the specific date; that he (Mr. Shortall) was appointed provisional liquidator of Merchant Banking Limited on the 4th May 1982. On the 24th May 1982, the High Court ordered that the affairs of Merchant Banking Limited be wound up and he was

appointed the official liquidator. He informed the Tribunal that in March 1989 he applied to the Court to be discharged as official liquidator of Merchant Banking Limited. The Court initially appointed Peter Fitzpatrick and Mr. Shortall as joint liquidators of Merchant Banking Limited and he was later discharged by the Court on the 1st May 1989. Now, he informed the Tribunal that the date of his appointment as provisional liquidator of Merchant Banking Limited, Charles J Haughey and Larchfield Securities Limited were, according to the books of Merchant Banking Limited, indebted to the bank in respect of outstanding loan accounts, and he told the Tribunal that the debts outstanding were as follows: Charles J Haughey, 6,541.78; Larchfield Securities limited, 11,836.76.

He told the Tribunal that as provisional liquidator he made demands for payment of the total amount due on each loan account in May 1982 as recorded in the books of Merchant Banking Limited. The amounts were paid in full on the 3rd June 1982.

Following his appointment as official liquidator, it was established that an error had been made by Merchant Banking Limited in calculation of interest and the books of Merchant Banking Limited included interest of 12% per annum, although on examining the promissory note it transpired that Merchant Banking Limited had contracted for interest to be charged at 18% per annum.

The additional monies due in respect of interest were demanded on the 9th June 1982 and paid on the 16th June 1982 in the following amounts:

Charles J Haughey, 129.55; Larchfield Securities Limited, 4,717.55.

He informed the Tribunal that the total amounts received in respect of those loans were, therefore, as follows:

Charles J Haughey, 6,671.33; Larchfield Securities, 16,554.67.

That was the evidence given by Mr. Shortall who had become, in the first instance, the provisional liquidator and then the official liquidator for Merchant Banking Limited.

Now, he also gave evidence to the Tribunal that there was no repayment schedule for each of the loans from the date of the loans up to the time of his appointment as liquidator and that no demands were made or payments received from the date in which the loans were advanced to the date of the liquidation of the bank.

First of all, I think you have some recollection in relation to these particular loans, isn't that correct, because they arose in the political context subsequently?

A. Yes.

Q. Now, I take it you accept that loans were taken out by you and Larchfield Securities Limited from Merchant Banking

Limited; isn't that correct?

A. Yes.

Q. And I think that was in 1976?

A. Yes.

Q. And I take it you accept that no demands were ever made in respect of those loans between 1976 and the time

Mr. Shortall was appointed liquidator in 1982?

A. Well, I couldn't say that, but what I could say was that certainly there was no movement on the accounts between apart from the fact that interest was accumulating year-by-year.

Q. Well, can I take it, so, that you don't have any difficulty in accepting this proposition, that in the records of Merchant Banking Limited, there was no evidence of any demands being made from the documents applied by the Tribunal

A. If you say that, I accept that.

Q. Now, can I take it also that you accept that there were no repayments in respect of those loans between 1976 and the demand being made by Mr. Shortall?

A. Until the liquidation.

Q. Until the liquidation, yes.

And can I take it that you accept the further evidence of Mr. Shortall that there had been an error in calculation in the records of the bank in that interest had been charged on the initial demand made to you on the basis of 12% per

annum, and there was there was a subsequent demand on the basis that interest should have been calculated at 18% per annum because that was the rate agreed on on the promissory note? I don't think you have difficulty with that.

A. I have no particular knowledge or recollection of these, but I accept all that.

Q. Now, the first document referred to by Mr. Shortall in proving the various documents which had been under his control was the is at divider 7.2 and it is a loan application of Charles J Haughey of Abbeville, Kinsealy, Malahide, County Dublin. And if you turn over to the second page of it, you will see that the loan limit required was for 2,500, isn't that correct?

A. Is that the promissory note?

Q. No, it's the loan application. It's numbered at the bottom as being document number 156.

A. Yes, I have it.

Q. Now, I think you have no difficulty in accepting that such a loan application took place?

A. No, I don't, but I just point out that that particular application is not signed by me. But that's the only comment I'd make.

Q. Now, the next document now, I'll come back to that in a moment, Mr. Haughey.

The second document then, it's document number 157. That is an internal memorandum of Merchant Banking Limited dated

24th August 1977, and it's from an official, a Bill Kelly, to another official, Simon Gordon, and it refers to the loan account that the application was in respect of, and it says that on the 22nd July 1976, there was an advance of 2,500 and he is seeking the advice of Mr. Gordon as to the terms or date for repayment. I think you see that.

A. Yes, I see that.

Q. Now, the next document, which is document number 158, is Merchant Banking Limited's receipt for the sum of 2,500, and I think that is signed by you; isn't that correct?

A. Correct, yes.

Q. And it appears to be dated on the document anyway, as being the 22nd July 1976, I think. Received the sum of 2,500.

A. Yes.

Q. Cash from Merchant Banking Limited.

Now, the next document, document number 159 is a promissory note where it's a promissory note for 2,500 dated 22nd July 1976, and it has an interest charge of 18% per annum I think; isn't that correct?

A. Yes, I see that.

Q. And that is signed by you as well, I think, isn't it?

A. Yes.

Q. The next document then, number 160, is another promissory note and it is for the sum of 6,000 with an interest rate of 18% per annum agreed, and I think it is signed by you and Mrs. Haughey on behalf of Larchfield Securities

Limited; is that correct?

A. Yes.

Q. The next document then is document 161, and what that is, I can tell you, is a copy statement of the Charles J Haughey loan account with manuscript additions on it.

A. Yes, I see that.

Q. And the next document, 162, is a copy statement of the same loan account without manuscript additions.

A. Yes.

Q. The next document is document number 163 and it is a loan application to Merchant Banking Limited for the loan in respect of Larchfield Securities and it seems to relate to the 6,000 promissory note, would you agree?

A. I can't see where the figure is mentioned. This is 163?

Q. Yes. The figure isn't mentioned, but would you agree that it is in the records of Merchant Banking Limited, it's a loan application in respect of Larchfield Securities and there is a promissory note in respect of 6,000 loan to Larchfield Securities; and subsequently there was a repayment made. So I take it you would accept that this relates to a loan application.

Sorry, there is a letter on the next page, yes, I beg your pardon. Document number 164, it's a letter to you from Mr. Gordon, who is the new business manager of the bank, and it's re Larchfield Securities Limited. It's dated 30th July 1976. It reads: "Dear Mr. Haughey, re Larchfield Securities Limited. We recently advanced a

loan of £6,000 to Larchfield Securities but the paperwork was never completed. We would be obliged if you would have the enclosed promissory note signed on behalf of Larchfield Securities Limited and return it to us at your earliest convenience ... signed by a witness." I think you can take it, Mr. Haughey, that the documents do relate to it.

And then the next document, 165, is a letter from you to Merchant Banking Limited, dated 22nd July 1976, and it reads: "Dear sirs, I wish to confirm that a loan of 6,000 was received by Larchfield Securities Limited from Merchant Banking Limited. Yours faithfully, Charles J Haughey," Director of Larchfield Securities.

Now, the next document, document number 166, is, again, another office memorandum dated 24th August 1977 from the official, Bill Kelly, to Mr. Gordon asking for the terms or dates for repayments.

Now, the next document is the same promissory note that we have already dealt with, that's 167, that's the promissory note relating to Larchfield Securities Limited.

In that regard, Mr. Haughey, looking at that promissory note, the address given for Larchfield Securities Limited was 61 Amiens Street, Dublin. Do I take it that that was the offices of Haughey Boland at the time?

A. Yes.

Q. And then there is 168, it's a note or a letter from you to Mr. Gordon and it reads dated 23rd July 1976: "Dear Mr. Gordon, herewith Larchfield Securities Limited promissory note completed as arranged, C J H." It's just in the form of a complimentary slip or something.

169 is a copy statement of account Larchfield Securities Limited with manuscript additions.

And document 170 is a copy statement of account Larchfield Securities Limited without manuscript additions.

A. Yes.

Q. Document number 171 is a copy of the same letter which we have already dealt with, signed by you, acknowledging receipt of the money on behalf of Larchfield Securities Limited as a Director.

And document 172 then is a copy of a letter dated 17th May 1982 from Patrick Shortall, the provisional liquidator, to Larchfield Securities Limited, and it reads: "A petition for the winding-up of this banking company was presented on the 30th May 1982. The petition is scheduled to be heard by the High Court on the 24th May next. In the meantime, the High Court has appointed me provisionally as liquidator.

"It appears from the bank's records that as of the 30th April 1982, you were indebted to it for 14,836.74 and that the amount is now due and payable by you. Accordingly, I

request payment of this amount. Your cheque or draft should be made payable to the bank at this address.

"Interest continuation to accrue on the amount due on a day-to-day basis in accordance with the arrangements between you and the bank. Your payment in settlement would, therefore, include accrued interest from the 1st May 1982 to date of payment. Inquiries as to the amount should be directed to my staff at the above address."

Now, I think there then first of all, do you remember receiving that particular request or demand from the liquidator on behalf of Larchfield Securities?

A. I don't actually remember receiving it, but I have no doubt that I did.

Q. Now, do you remember receiving any similar letter in respect of your personal loan or was this, do you think, taken as the demand by the provisional liquidator in respect of all monies which were due to the bank, to the best of your knowledge?

A. I am sorry, could you say that again.

Q. Yes. There is no letter in the documents of the bank showing a request there were two loans, but it may be that they were just viewed all as one that is the only letter of demand that appears to be in the records of the bank or of the liquidator, and I am just wondering, you seem not to have a specific recollection of receiving a demand

A. No

Q. on behalf of Larchfield Securities. Do you have any recollection of receiving a demand personally?

A. No. For the other amount?

Q. Yes.

A. No, I can't say. But I must have received it.

Q. Yes, or it may be, I think if you go to the next document, document 173, it's a copy letter dated 3rd June 1982 from Mr. Traynor to Mr. Charles Shields in Coopers & Lybrand.

A. Yeah.

Q. I think Coopers & Lybrand was Mr. Shortall's firm at the time. And it's from 17 College Green, Dublin 2, and it's personal to Mr. Shields at Coopers & Lybrand, and it reads:

"Re Merchant Banking Limited.

"Dear Mr. Shields, in connection with Merchant Banking Limited and C J Haughey, I refer to our recent discussions and am enclosing herewith cheques to clear the balance as follows:

"Larchfield Securities Limited 7,836 11,836.74.

"C J Haughey, 4,541.70.

"I would be grateful if when acknowledging receipt you would confirm the date in which the principal sum involved in each case originated, and also if you could let me have a photostat of the promissory notes you mentioned were involved.

"Your sincerely, J D Traynor."

The next document then is a response to that letter dated 9th June, and it's from Mr. Shortall as the official liquidator and it is addressed to Mr. Traynor at Guinness and Mahon. And it's loans due by Larchfield Securities Limited and C J Haughey.

"Dear Mr. Traynor, thank you for your letter of the 3rd June 1982. Enclosing cheques as follows:

"Larchfield Securities 11,836.74.

"C J Haughey, 6,541.78.

"I enclose herewith copies of the promissory notes which give rise to these loans. I also enclose copies of the ledger cards. And you will note that the interest of the loan to Larchfield Securities Limited originally calculated at 12% is now calculated at 18%. As the promissory note states 18%, I have had to recalculate the amount due, thus the Larchfield Securities Limited ledger calculated at 18% shows a balance as of the 8th June 1982 of $\text{£}24,699.40$. You will further note that on the loan to Mr. C J Haughey there is a balance now outstanding of the 8th June 1992 of 129.04.

I should be obliged if you would let me have cheques for the above sums, that is for Larchfield Securities, in the sum of $\text{£}24,699.40$ and for Mr. C J Haughey a sum of $\text{£}129.04$.

Interest will continue to accrue at 18% in both of those loans until final repayment has been made. Consequently, I shall be obliged if you would, on the date of repayment, contact me so that I can at the moment you the exact sums that are due as of that date.

"Yours sincerely, for and behalf of Merchant Banking Limited, PF Shortall, official liquidator."

Then there is, at document number 175, a letter from Mr. Traynor to Mr. Shields at Coopers & Lybrand and it reads:

"Dear Mr. Shields, with reference to Paddy Shortall's letter of the 9th June and my secretary's telephone call to you this morning, I now have pleasure in enclosing herewith two drafts, one for Larchfield Securities in the sum of 4,417.94 and one for C J Haughey in the sum of 129.55 to clear the balances due.

"Yours sincerely, J D Traynor."

The final document is 176. A copy letter from Mr. Shortall to Mr. Traynor. It reads:

"Dear Mr. Traynor, thank you for your letter of the 16th June 1982. Enclosing cheques for 4,717.94 and 129.55 in respect of a balance due from Larchfield Securities Limited and C J Haughey respectively. I confirm that both loans have now been discharged in full and thank you for your

assistance in dealing with the matter.

"Yours sincerely, PF Shortall, official liquidator."

Now, I think at the time, that is in 1982, you would have had an awareness that a demand had been made by the liquidator of Merchant Banking to repay loans taken out by you and Larchfield Securities Limited; isn't that correct?

A. Yes.

Q. And I think the demand or the copy demand that we have was addressed to Larchfield Securities Limited at Abbeville?

A. Yes.

Q. So can we take it that you must have then handed the demand to Mr. Traynor to enable him to make inquiries as to the full amounts which would be due, interest continuing to run, for example, on the outstanding

A. That would seem to be a logical sequence of events, yes.

Q. Do you remember that?

A. Not particularly. Though I do remember the I do remember the liquidation and

Q. Yes.

A. my being involved.

Q. Yes. Well, I think a demand from a liquidator after all, Mr. Shortall had been appointed by the Court is a serious enough event

A. Exactly.

Q. in the life of anybody, could we take it?

A. Yes, of course. Yes. Well, it's something that has to be attended to.

Q. Now, this demand, I think, occurred in, if I am correct, in 1982, isn't that correct, June of 1982 perhaps it was May. And I think it's correct to say that Merchant Banking Limited was, in the broad terms, part of the Gallagher empire; isn't that correct?

I think the 17th May 1982 was the demand, on looking at the document, but I just want to do you accept that Merchant Banking Limited was part of the Gallagher empire, if I could describe it as that?

A. I think Mr. Patrick Gallagher was common to both.

Q. Yes, the Gallagher Group and Merchant Banking.

Now, Mr. Patrick Gallagher furnished an affidavit to the Tribunal, and he also gave evidence, but he being in South Africa, we, in the first instance, accepted an affidavit from him which I think was furnished to you at the time, and it's at divider 7.4.

A. Yes, I have it here.

Q. Now, I would ask you to go to paragraph 3 of Mr. Gallagher's affidavit. He has been asked about something else which he has no knowledge of, but moving to paragraph 3.

A. Yes.

Q. "My recollection of the loan by Merchant Banking Limited to Mr. Haughey/Larchfield Securities Limited, is somewhat

vague and I am only able to recollect some of the details from the correspondence now furnished by the Tribunal to my solicitor."

"4. From what I remember, Mr. Haughey came to my office in or about the month of May 1976 and informed me that he required a loan to build a house for his daughter Eimer at Kilmuckridge, County Wexford.

"5. I agreed that Merchant Banking company would lend the money to Larchfield Securities Limited, Mr. Haughey's company. I cannot now recall the details of the loan and I am uncertain as to why it was for two separate amounts of $\text{€}2,500$ and $\text{€}6,000$. It has been pointed out to me by my legal advisers that the loan contained unusual features in that the bank did not receive any security except a promissory note signed by Mr. and Mrs. Haughey and that there was no schedule of repayments.

"6. I am also aware that no demand was ever made by Merchant Banking Limited for the repayment of this loan and I accept that this was also unusual. As I have stated in my previous statement, I held Mr. Haughey in very high esteem. I trusted him implicitly and I never considered that the monies would not be repaid when he was requested to do so. I note from the letter dated 28th June 1999, from the Tribunal to Mr. Michael Fitzsimmons, that, in fact, turned out to be correct and that the loans were

repaid in June 1982 on foot of demands for repayments made by the provisional liquidator of the bank.

"7. From memory, internal queries on the part of the banking staff with regard to these loans would have been referred to me if and when they arose.

"8. The loan was not part of 15,000 given by me to Mr. Haughey and referred to in my earlier statement."

"Just in relation to that, that is an accumulated sum Mr. Gallagher referred to in his evidence to the Tribunal of 15,000 which was made up of political contributions of perhaps two or three thousand pounds a time over the period of the 1970s, so I don't think we need concern ourselves with that."

Now, do you remember attending Mr. Gallagher at his office and requesting a loan for the purpose stated; that is, to build a property at Kilmuckridge, County Wexford.

A. No, and I think Mr. Gallagher must be mistaken in this connection. There was certainly never any question of building a house in Kilmuckridge for my daughter Eimer.

Q. I see.

A. We certainly built a house in Kilmuckridge, but I am fairly certain it had nothing whatever to do with these loans.

There was a loan taken out on it from Irish I think a loan taken out, a mortgage loan taken out, on that house, as far as I can remember, from Irish Civil Service Building

Society and that loan funded the building of the house.

Q. I see. Well, if we leave aside that particular aspect of Mr. Gallagher's evidence so, the reason which he believes was stated, do you remember attending Mr. Gallagher at his office for the purpose of taking out a loan for whatever purpose?

A. No, I don't think I was ever in Mr. Gallagher's office in Merchant Banking Limited's office, but it's obvious that an application all the documentation there shows that an application was made by me for these two loans. But that's the only other recollection I have about this matter is that somewhere I have seen a letter from Paddy Shortall, the liquidator, I think to John S O'Connor & Co because there was a question of litigation or legal proceedings, libel actions, and as far as I remember, I have seen somewhere a letter in that context stating that these loans were treated in the operations of Merchant Banking Limited as normal banking transactions. Now, I don't know whether that has a letter of that nature by Paddy Shortall has turned up in your investigations, but I have a recollection of seeing such a letter.

Q. There was, and I will come to deal with it, I think it's Mr. Peter Fitzpatrick perhaps had become joint liquidator or perhaps Mr. Shortall had been discharged around the time that that particular correspondence took place, there is correspondence between John S O'Connors, I think, on your behalf and whoever was the liquidator of the company at the

time, but I'll come to that presently.

But what I want to inquire about now, Mr. Haughey, is it would appear from the documents that you were personally involved in the application for this loan, would you agree?

A. Certainly I signed the various subsidiary documents.

Q. And would you agree that that appears to coincide to some extent with Mr. Gallagher's recollection of he dealing with you personally, not to the full extent of the stated reason?

A. I am not so sure of that, Mr. Coughlan. There was a Mr. O'Brien was in Merchant Banking at the time.

Q. I see.

A. And I think either I or somebody on my behalf dealt with him with regard to these two loans.

Q. I see. You remember a Mr. O'Brien, do you think?

A. I remember a Mr. O'Brien, yes.

Q. Well, do you think that you may have dealt with him to some extent yourself?

A. Possibly, but I think I don't think I would have, but it's possible that I did. I mean, I am not making an issue of it.

Q. Well, can you remember having any other dealings with Merchant Bank other than this particular loan transaction?

A. No.

Q. Now, on the documents which we have opened at document number 158, you acknowledge receipt of the sum of 2,500 from Merchant Banking Limited of 23, Clare Street, Dublin

2; isn't that correct?

A. Yes.

Q. That's signed by you. Can we take it that that is a correct statement of affairs, to the best of your knowledge?

A. Oh, yes.

Q. Now, the document says, and I want to ask you for your comment on it: "Received the sum of 2,500 cash." Do you remember receiving cash?

A. No, not particularly. I mean, the statement is there and I accept it.

Q. Now, Merchant Banking was they were industrial bankers, were not retail bankers, they weren't an over-the-counter bank, isn't that correct, where you could go in and conduct normal banking transactions?

A. I don't know that, but

Q. Well, the headed notepaper is "Merchant Banking Limited, industrial bankers."

A. What I am saying is I don't know that they didn't

Q. Carry cash

A. No, that they didn't do across-the-counter banking.

Q. It would appear that you received, if this document is correct, that you received 2,500 in cash, isn't that correct?

A. Yes, oh yes, it does, and the interesting thing about it is that that is on receipt is on Merchant Banking Limited's notepaper.

Q. It is.

A. I will venture a proposal that if I did receive the cash from Merchant Banking Limited, that Mr. O'Brien may have been the person who brought me the cash or gave me the cash.

Q. I see.

A. It puzzles me a bit that Mr. O'Brien doesn't enter into any of this documentation anywhere here.

Q. I see. You remember dealing with a Mr. O'Brien in Merchant Banking?

A. I am quite certain there was a Mr. O'Brien, yes, and I think he was actually running the bank at that time.

Q. And you believe this because you had personal dealings with a Mr. O'Brien, would that be

A. Yes.

Q. Now, I think, apart from having the documents from the Tribunal, I think this became a live issue with you around the Autumn of 1990, and I'll bring you to documents about that now.

Mr. Peter Fitzpatrick gave evidence, he became liquidator, he was for a period joint liquidator with Mr. Shortall, he became he was appointed joint liquidator on the 13th March 1989, and on the 1st May 1989 Mr. Shortall was discharged and since then Mr. Fitzpatrick has been the sole official liquidator of the bank. And he informed the Tribunal that he received a letter from you dated October

1990 in which you sought confirmation to his legal advisers, John S O'Connor & Co, of the date of the liquidation of Merchant Banking; that the account in the name of Larchfield Securities was settled in full and that the liquidator's report indicated that the loan was a normal banking transaction and that there was no suggestion in the report of any impropriety of any kind. And that's document number 177.

A. Number, sorry?

Q. It's at divider 7.3 and it's document number 177.

A. Yes, I have that.

Q. Now, the letter is addressed to Mr. Fitzpatrick. It's:

"Re Merchant Banking (Dublin) Limited in liquidation."

And the letter reads: "I will be grateful if you could remit a letter to my legal advisers John S O'Connor & Co along the lines set out below.

"1. Confirmation of the date of liquidation of Merchant Banking Limited.

"2. Confirmation that the account in the name of Larchfield Securities Limited was settled in full on demand from the liquidator including accumulated interest.

"3. Confirming that the liquidator's report indicates that this was a normal banking transaction and that there is no suggestion in the report of any impropriety of any kind.

"I greatly appreciate your kind corporation in this matter.

"Yours sincerely, Charles J Haughey."

There then follows at document 178 a letter from John S O'Connor & Co solicitors, and it's addressed to Mr. Fitzpatrick, and it reads: "Dear Mr. Fitzpatrick, we understand that you received due authorization from Mr. Charles J Haughey and Larchfield Securities to transmit direct to us the information requested in that authorization in each case.

"As the matter is most urgent, we should be obliged if you would please fax direct to us by return separate confirmation in respect of Mr. Charles J Haughey and Larchfield Securities.

"We look forward to hearing from you.

"Yours faithfully, John S O'Connor."

There then is a letter at document number 179 dated 23rd October 1990 from Coopers & Lybrand, Mr. Fitzpatrick. And it's in respect of Larchfield Securities Limited. And it reads:

"Further to the letter of authorization received today from your client Larchfield Securities Limited, I can confirm the following:

"1. Merchant Banking Limited was placed into liquidation

by order of the High Court on the 24th May 1982.

"2. The loan due by your client to Merchant Banking Limited was paid in full promptly upon demand by the official liquidator.

"3. The loan to your client was regarded as a normal commercial loan and was treated as such in the records of Merchant Banking Limited.

"Yours truly, for and on behalf of Merchant Banking Limited, Peter Fitzpatrick."

The next letter is in the same terms and it's in respect of yourself.

A. Yes, I see that. Sorry, that's the letter now

Q. Those were the letters

A. that you were thinking about.

Q. Now, so this is a matter which exercised your mind to some extent in 1990; isn't that correct?

A. Yes.

Q. I don't know the particular circumstances, but I think there was some political controversy and something had been printed about you, I think, is that correct, in respect of this loan, or these loans?

A. Yes, that's so, and I think we were contemplating libel action.

Q. I see. That was the context

A. That would be why John S O'Connor was looking for this

information.

Q. And can I take it that if that was in contemplation, you would have had discussions with your legal advisers about the circumstances of the particular loan, I take it, that would be reasonable to assume?

A. That would be normal, yes.

Q. And can I take it that you were in the position to assist your legal advisers as best you could in them preparing any advices they might give you or any steps they might take on your behalf?

A. Well, I would have given them whatever information was at my disposal at the time, yes.

Q. And at the time

A. It seems to me, Mr. Coughlan, from the letters by John S O'Connor & Co, that they were looking to the liquidator for the relevant information.

Q. Well, I think what they were looking for was and correct me if I am wrong or what you were looking for, because what you authorised the liquidator to release to your legal advisers was confirmation in relation to certain

A. I would do that letter on their advice.

Q. Yes, I accept that that's the way it would happen, all right, but what was being sought here was that you must have had a view yourself, because what was being sought was confirmation of various things in the letter you sent to Mr. Fitzpatrick authorising him to release information to your solicitors.

A. I imagine at that stage that letter would have been drafted by John S O'Connor & Co. I mean, when one is entering into possible litigation

Q. I wouldn't have any difficulty with that at all, Mr. Haughey, and I don't think anyone here would, but that they would have been in receipt of some information to enable them to at least draft a letter, you would agree?

A. Yes. Well, I think the I think the matter was fairly well opened in the public press at that time. This incident of my paying or Des Traynor, rather, paying on my behalf the amounts due to the liquidator, I think that may have been mentioned in the public press at the time, because he was a court liquidator so I suppose it would have been the public domain.

Q. Well, I don't think the Tribunal has any interest in any litigation that or potential litigation you may have intended pursuing, or matters of that nature, and I have no interest in or desire to inquire of any advices you were given. That is not what I am asking you questions about here.

What I am trying to ask you now is: It is something which exercised your mind ten years ago and not just now, isn't that correct, the question of this particular loan?

A. Sorry, would you

Q. The question of this loan and the repayment of it exercised your mind to some extent ten years ago, back in 1990

A. Oh, of course, yes.

Q. So ten years ago, you had some thoughts on the matter, isn't that correct?

A. I had?

Q. You had some thoughts on the particular matter?

A. No, I was very realistic I mean, I was abreast of the situation.

Q. Yes?

A. That these amounts had been lying, as it were, dormant, for a number of years in the accounts of Merchant Banking and interest had been accumulating and now they now had to be paid. I would have been aware of all that, yes.

Q. And I take it that you were aware that such a demand had been made by the liquidator and that the loans had been repaid in full including

A. I think in the first instance the liquidator made the demand to me, that's right. And I would have passed them on to Des Traynor, I presume, in the normal circumstances to deal with.

Q. And both in 1982 and in 1990, you'd have had some reason to address these issues?

A. Yes.

Q. Now, you knew in 1990 that the loans had been paid off in full?

A. Yes.

Q. And as you say, I am at present not fully aware of the circumstances of whatever controversy, public controversy, there was about the matter, that you believe that there may

have been some references at that time that Des Traynor

had

A. No, I may have misled you there.

Q. I see.

A. I would think that the matter had been raised in the

political arena, but I think only in regard to my having

been indebted to the

Q. To the Gallagher Group perhaps

A. To Merchant Banking Limited, and having had to pay off

loans in full.

Q. I think that may be correct. I seem to have some

recollection in the back of my mind, it may have been

something that was raised by Deputy Spring or something.

I may be incorrect in that, some issue arose around that

time about this

A. Some?

Q. Deputy Spring perhaps I think. Is that possibly

A. A likely candidate.

Q. But when you were discussing the matter with your legal

advisers in the first instance, can you confirm that your

legal advisers Messrs John S O'Connors do not appear to

have been involved in clearing the loans in the first

instance?

A. No.

Q. So to enable them to advise you and to take whatever steps

might be necessary on your behalf, they would at least have

to have been informed of the fact that, yes, there was a

loan or loans, and yes, they were paid off and paid off in full when the liquidator made the demand. That much information we have had.

A. I think that's all clear from the documentation.

Q. And at that time, first of all, could I take it in 1982, where did you believe the money came from to pay off the loan?

A. Oh, I would have no doubt that it would be arranged by Mr. Traynor.

Q. But arranged how?

A. Again, from funds at his disposal.

Q. And in 1990 when you sought legal advice, how did you believe the monies had been paid off to the liquidator?

A. I don't know that it would have crossed my mind as to where the monies came from except that Mr. Traynor was able to arrange to pay off these amounts. I think they weren't, in the overall scheme of things, they weren't all that significant, these amounts.

Q. No, I accept that the amounts were not, in the overall scheme of things, that significant. But if you were contemplating, if you were contemplating litigation, if you were, and a controversy or a political controversy had arisen about these particular loans, I suggest to you surely you must have addressed your mind to where the money came to pay off those loans because that could, in effect, give rise to further controversy; isn't that correct?

A. No, that didn't

Q. It didn't occur to you?

A. No.

Q. But can I take it that from the answers you have given us about the initial raising of the loan and your recollection of a Mr. O'Brien being involved in matters in Merchant Banking, that it was something that you yourself were personally involved in?

A. Yes.

Q. Do you recall the purpose of the loan?

A. I have been trying to think about that, Mr. Coughlan, because these loans seem to be very much on the side, as it were. They seem to be sort of isolated transactions. I think I have, at the back of my mind, in regard to the small one, some idea that I was raising money for a constituent or for somebody who needed the loan and couldn't get it themselves and this is pure speculation on my part and I'll ask you not to hold me to it, but I am just thinking that the small one anyway was something of that nature.

Q. And do you believe that you dealt with Mr. O'Brien, perhaps, on that one?

A. Yes.

Q. That was the one that that was acknowledged received in cash?

A. Yes, I would think that I might have sent the person to Mr. O'Brien. I don't know for sure, but I may it's a vague recollection. And then Mr. O'Brien may well have

said to me, no, we can not give this individual a loan, but if you take out a loan, we will accept that.

Q. And as regards the larger one then, it's 6,000 in the name of Larchfield Securities?

A. I can't come up with any suppositions about that except, again, to reiterate that it almost certainly had nothing to do with the house in Kilmuckridge, whatever the purpose of it was.

Q. Now, whilst in the overall context of the figures we were dealing with in the course of the Tribunal, Mr. Haughey, these figures individually do not appear to be overly significant, but in their historical context, they were nonetheless substantial loans.

A. In their

Q. In their historical context they were significant enough loans, if one compares them with salaries or matters of that type at that time?

A. I don't think I would have considered them as significant.

Q. Well, they came to the loans of 8,500 which would have been equivalent, perhaps, equivalent to the salary of a TD or

A. Perhaps, yes.

Q. Now, I think when we commenced this morning, I drew your attention to certain drawings on what is described in the records of Guinness and Mahon as a number 1 account in your name, and I drew your attention to four drawings in favour of Merchant Banking Limited.

A. Yes.

Q. And the sums are the same as the figures mentioned by Mr. Shortall in his letter of demand in the first instance and subsequently in his letter recalculating the interest, would you agree?

A. Yes, they seem they are identical, yes.

Q. And would you agree that that was the source of the repayments to Merchant Banking Limited?

A. Yes.

Q. Now, you believe that in respect of the smaller loan, that's the 2,500, that Mr. O'Brien may have been involved in that. Could Mr. Gallagher have been involved in it, to the best of your knowledge?

A. I would think almost certainly not, not at that level.

Q. Yes, I understand at the level of borrowing that Mr. Gallagher might not normally have been involved, but considering the person who was engaged in these borrowings, is it not more than likely that Mr. Gallagher would have had some involvement?

A. Well, he would have known about it, I am sure, yes.

Q. Now, Mr. Peter Fitzpatrick who furnished the letter to your solicitors, Messrs John S O'Connors expressed the view that and this is really in the context of asking you if Mr. Gallagher may have been involved in it, said that from the papers of Merchant Banking Limited, the loan was unusual in that the paperwork wasn't complete in that there was no schedule for repayments or date for repayments and

matters of that nature, and that was only the situation in a number of cases and usually involved people with whom Mr. Gallagher or people close to him were involved. I will just give you that piece of information, if you wish to comment on it.

A. May I point out to you that in the letter of the 23rd October 1990, the official liquidator, Mr. Peter FitzPatrick, says in paragraph 3: "The loan to your client was regarded as a normal commercial loan and was treated as such in the records of Merchant Banking Limited."

Q. I am not in any way doubting that he said that, because I opened the letter to you, Mr. Haughey, or that that was how it was. I was saying that there were unusual features. Interest was applied. I am saying unusual features in that there was no and I should also, in ease of you, go on to say that Mr. Fitzpatrick also gave evidence to this Tribunal, and I want to just tell you what he said before you answer anything. I am only asking you about the unusual features.

He said that a report was sent to the Director of Public Prosecutions regarding certain loans provided by Merchant Banking, but there was no reference to Larchfield Securities or the loan to you, I just want to complete that.

What I am asking you is that there were unusual features which may indicate that Mr. Gallagher probably had an

involvement in them.

A. No. I think the unusual features would be regarded as nothing more than that normal sort of I call them bureaucratic or administrative requirements were ignored or were not insisted on.

Q. Yes, the administrative requirements were not complied with and were not insisted on.

A. I would agree with that.

Q. You would agree with that?

A. Yes.

Q. In any event, it didn't concern you at the time as to where Mr. Traynor obtained the money to pay off the loans and you didn't address your mind to that in 1990 and you still don't know to this day well, you know now on the facts, where the money came from, but it wasn't something that ever concerned you up to now; is that correct?

A. No.

Q. Now, in the book of documents entitled "Volume 3 part 1 to 5," that is the first document, Book of Documents we were dealing with in respect of these matters.

A. Yeah.

Q. You will see that at divider number 5

A. Is this 1.5?

Q. No, just number 5, actual number 5, it's the divider that deals the Northern Bank Finance Corporation loan.

A. Yes, I have 5 now.

Q. Now, this was a loan which was made in the sum of 150,000

obtained from Northern Bank Finance Corporation, and I think you have informed us that Mr. Traynor was the person who would have arranged that particular loan; isn't that correct?

A. That's correct, yes.

Q. And you believe that Mr. Traynor had a business relationship or was friendly with, I think you said, the managing director, was it, of Northern Bank Finance Corporation?

A. Yes, that's my recollection, that they were banking colleagues maybe.

Q. Did you know who that person was?

A. Hmm?

Q. Did you know who that person was?

A. I do. I am trying to think of his name and

Q. Yes, whenever it comes to mind.

A. I will think of it before the session is over.

Q. Yes. Now, we have done an exercise in looking at the number 1 account and I am going to read out to you certain figures I am not asking you to deal with the bank statements to go through this in detail. I'll just ask you if you have any difficulty in our analysis of the situation.

A. Is this the Northern Bank

Q. This is the Northern Bank. And looking at the number 1 account that, according to the evidence of Ms. Sandra Kells, 7,777.39 was paid in interest on the 29th April

1981. The source of this payment appears to be a debit to the Charles J Haughey number 1 account with Guinness and Mahon on the 28th April 1981. And I think we have drawn up a table, and you can see that we have it on the monitor, which shows an interest payment. I take it you don't have any great difficulty

A. Sorry, I am looking at a rather complicated bank statement here. Is that the one? It's on

Q. 1.5, if you go back to 1.5. I won't ask you to go through the bank statements. 1.5. It's what I started with this morning, the table of expenditure, if you remember, and if you go to the second page of that.

A. Yes, I have 1.5, yes.

Q. You can take it that

A. This is Table 1, expenditures.

Q. Yes. And if you go to the second page of it, this is an exercise we went through of extracting the various drawings on that particular account. And there is on the 28th April, 1981 a payment of 7,777.39 to Northern Bank Finance Corporation which was interest on the loan.

A. At the top of the page?

Q. Yes, that was interest on the loan. I take it you have no difficulty or wish to query that.

A. No.

Q. Now, on the 29th October 1981, there was a payment to Northern Bank Finance Corporation of 13,382.60 and according to the evidence of Ms. Kells, the source of this

appears to have been a draft funded by a debit of 13,382.60 to Charles J Haughey number 1 account with Guinness and Mahon on the 29th October 1981. I think you can take it that that is an accurate statement of the facts,

Mr. Haughey. Again, that appears to be interest. And I take it you don't have any query with that?

A. No.

Q. There was then, on the 4th May 1982, a payment to the Northern Bank Finance Corporation of 15,365.36, and again the source of this was the number 1 account on the 3rd May 1982.

A. Yes.

Q. We can see it on the table again.

There was then the payment of 15,871.14 on the 3rd November 1982, and again the source of that was the number 1 account, a debit to that account on the 3rd November 1982.

I take it you accept that as being an interest payment?

A. Yes.

Q. And then the loan was cleared by a payment of 154,433.88 on the 4th January 1983 and the source of this lodgement appears to have been a debit of 154,433.88 to the number 1 account with Guinness and Mahon on the 4th January 1983, I think you see that on the table.

A. Yes.

Q. And that seems to, on our analysis, account for the obtaining payment of interest and the repayment of

principal on the Northern Bank Finance Corporation. And it would appear or do you agree or disagree that the loan appears to have been paid into what is described as the number 1 account in your name. It was serviced in that interest was met out of that particular account and the capital was repaid out of that account as well.

A. Yes, you seem to have established that clearly.

Q. Now, I now want to turn to divider number 3 in this same Book of Documents.

A. Yes.

Q. And this relates to documents which were obtained from the Central Bank and appears to be in respect of an application by you for exchange control approval to obtain a loan from Guinness Mahon Cayman Trust in the sum of 400,000. And evidence was given about this by a Mr. Halpin, Mr. Brian Halpin, who was an authorised officer of the Central Bank, and he gave evidence on day 28, the 9th July 1999.

A. Yes, I see that.

Q. Now, Mr. Halpin informed the Tribunal that by letter dated 8th December 1982 addressed to the Manager Exchange Control, you requested Exchange Control permission to borrow on behalf of Abbeville Stud, the Sterling equivalent of 400,000 from Guinness Mahon Cayman Trust Limited. Interest was expressed to be payable half yearly at 1% over the cost of three month funds and full repayment of principal was due on the 31st January 1985.

So if I could just ask you to deal with document number 112

at that divider, please, and it is a letter the address
is Abbeville Stud, Abbeville, Kinsealy, County Dublin.
It's addressed to the Manager Exchange Control, Central
Bank of Ireland, Dublin 2. It reads 8th December
1982.

"Dear sir, I wish to make application on behalf of
Abbeville Stud for permission to borrow Sterling. The
details are as follows:

"1. The bank: Guinness Mahon Cayman Trust Limited, PO
box, 887, Grand Cayman, British West Indies.

"2. The amount: The Sterling equivalent of 400,000
Irish.

"3. The purpose: Primarily development and commercial
development of the stud.

"4. Draw-down in amounts of 100,000 between the 1st
January 1983 and the 31st January 1983.

"5. Repayment: Full amount on the 31st January 1985.

"6. Interest: Interest payable half-yearly will be at 1%
over the cost of the three-month funds.

"7. Security: Joint and several guarantees of C J
Haughey and Maureen Haughey."

And over the page:

"The title deeds of stud will be deposited with Mars Nominees Limited, 17, College Green, on behalf of Guinness Mahon Cayman Trust Limited and an undertaking given to formalise the security should this be required.

"I am enclosing herewith an extra copy of this letter for your convenience.

"Yours faithfully, Charles J Haughey."

And would you agree that was signed by you, Mr. Haughey?

A. Yes.

Q. Now, do you remember, first of all, making an application to the Central Bank for exchange control approval?

A. I am not sure that I do, but now that I see this letter here in front of me, I accept that that's my letter and that I made that application.

Q. Now, do you remember looking for 400,000 or the equivalent in Sterling?

A. No. I would be very clear that that letter would be drafted by Mr. Traynor and given to me to sign.

Q. Yes, I accept that it must have been drafted by somebody who was familiar in how to put an application before the Central Bank the way it's set out. But did you have any discussion or can you remember having any discussion with Mr. Traynor about applying to the Central Bank for Exchange Control approval?

A. I don't remember any discussion, but I would, if you put it

to me, I will accept that I must have had I must have had a discussion with Mr. Traynor about it.

Q. Perhaps I can assist you in that Mr. Halpin, in his evidence, said that Mr. Des Traynor personally delivered your letter in duplicate to Mr. Bernard Breen who was then the General Manager of the bank. Would you remember that or

A. No. But as I say, I would be fairly definite, looking back, that the procedure would have been that Des Traynor would have drafted the letter, brought it out to me to sign, perhaps, or arranged for me to sign it, and then he would have taken it from there. He would have handled the transaction from then on.

Q. Now, at the time this application was made, I think you were still Taoiseach?

A. Well, it was the time of in and out, but if you say I was Taoiseach, I'll accept that.

Q. I think you were. But significant enough for an application it's significant enough there is nothing wrong with applying for Exchange Control approval, but it's a significant enough step that it might register on somebody's mind is all I am saying, for somebody as Taoiseach to be applying for it?

A. I am reminded, Mr. Coughlan, that, I think in the early stages of this Tribunal there was great fuss made by some people in the media that there would be a question of me or others offending against the Exchange Control regulations.

So this I mean, this letter is in our favour to that extent that we did apply for it.

Q. There is a letter of application for Exchange Control approval. There is no doubt about that.

A. Mr. Traynor was abiding by the rules and the legal position.

Q. Yes, in this respect, in this regard.

A. I am just recalling, if you the early days of this Tribunal these suggestions were being bandied around in the newspapers, that the offences against the Exchange Control regulations may have been committed. I don't know if you recall that.

Q. I do, and thankfully, that is not a matter for this Tribunal to be deciding upon, if there were breaches of the Exchange Control regulations. It's for some other authority, Mr. Haughey.

A. Thank you.

Q. But what I am saying here is that anyone seeking to borrow money abroad at that time had to apply to the Central Bank, who were the agents of the Minister for Finance, for the purpose of granting Exchange Control approval. That was also delegated to some of the other banks for particular transactions. But what I am trying to ascertain here is: Do you remember applying or an application being made for Exchange Control?

A. Well, I certainly remember now, having this letter in front of me.

Q. Can I ask you this: Was there any conversion, development or extension of the stud at Abbeville at or around this time?

A. Yes, we would have been improving Abbeville all the time.

Q. If you remember now that such an application must have been made

A. It was made.

Q. Was made, and that Mr. Traynor, of course, would have processed it on your behalf, you must have had a discussion with him about obtaining a loan abroad?

A. I am sure he would have informed me that he proposed to raise a loan abroad and that would require Exchange Control permission and that he would have handed me the letter to sign on that basis.

Q. Now, I think you would agree that at that time, 400,000 was a significant sum to be borrowing from anybody, would you agree?

A. Yes.

Q. And if the purpose was as stated in the application for the conversion, extension and improvement of the stud, there must have been some discussion as to what type of funds were required in broad terms at least, for that purpose, would you agree?

A. Not necessarily, no. It says here primarily

Q. Yes, I am saying primarily, that's why I ask you in broad terms, there must have been some view about what was necessary.

A. No, I wouldn't think that Des Traynor would have concerned himself with that sort of development.

Q. Well, Mr. Traynor would have had to have some knowledge of what was necessary if he wanted to borrow 400,000, or do you think it was just something he had a general view about?

A. I would say he had his general objective was the improvement of my financial situation with this aspect as part of it.

Q. So you believe that that would have been what was in his mind, it was just general improvement of your financial situation?

A. I would think so, yes.

Q. Now, according to Mr. Halpin, approval for the borrowing was given in the standard manner by an appropriate stamp on both copies of the letter under the signature of Mr. Michael Donovan who was then the manager of Exchange the Exchange Control department. One copy was retained by the bank and the other returned to Mr. Traynor by Mr. Breen and Mr. Breen has a handwritten note of transmission dated 9th December 1982, and it read: "Should any problem arise, contact should be made directly to Michael Donovan or myself." And I think that is document 113, that's the handwritten note. And the bank's copy of the letter of application appears to have been kept by Mr. Donovan, who is now deceased, in his private office. A copy of the letter signed by Mr. Haughey and of Mr. Breen's letter of

transmission, was sent to the Tribunal. In other words

A. Sorry, Mr. Coughlan, my next document here is a handwritten note

Q. That's right.

A. "Des, return approved..." Et cetera.

Q. That was attached too. Mr. Traynor came with two copies of the letter of application. The way approval was granted, that both letters were stamped; one was retained by the bank and one was given back to Mr. Traynor, and with the letter given back to Mr. Traynor was this handwritten note from Mr. Breen, the General Manager, saying if there is any difficulty, contact me personally, or Mr. Donovan, who was the manager of the Exchange Control on the Exchange Control side. That is what that handwritten note is about.

A. Yes.

Q. Now, Mr. Donovan kept your application in his own private office. Did you know anything about that?

A. No, I don't know that, no.

Q. And it does not appear to have been entered in the general bundle of documents. I am not necessarily saying they were magnificently filed or kept or anything, but the general bundle of documents which related to Exchange Control.

A. I don't know that.

Q. Now, do you remember Mr. Traynor telling you that the money had come in from Cayman in respect of this loan application

or, sorry, should I say, this application for Exchange

Control?

A. No, I don't remember it.

Q. Now, the next matter in the documents is document number

114, and it's a letter from Mr. Traynor to Mr. Donovan at

the Central Bank and it's dated the 22nd January 1985, and

it reads:

"Dear Michael, attached hereto are copies of the following:

"1. Letters of the 8th December 1982 from C J Haughey to

the Central Bank.

"2. Letter of the 9th December from Bernard to me.

"3. Two copies of John Furze letter of the 2nd January

1985.

"I will be grateful if, at your convenience, you could let

me have approval and also approval for the payment of

interest of 68,000 to bring the facility to the revised

figure.

"Yours sincerely, J D Traynor."

And if you go to the next document, document 115, it's a

letter from Guinness Mahon Cayman Trust and it's signed by

Mr. John Furze, Managing Director, and it's dated 22nd

January 1985, and it's addressed to you, at Abbeville Stud,

Abbeville, Kinsealy, County Dublin, Ireland. It reads:

"Dear sir, re loan extension - 2 years - Sterling

£350,000. We wish to refer to our recent telephone discussion in connection with the extension of present facility. We confirm that we are prepared to extend 350,000 Sterling on the following terms and conditions.

"Amount: Sterling £350,000. Repayment in full by the 31st December 1984.

"Interest: Payable quarterly at 1% over the cost of 90-day funds.

"Security: We will continue to retain the joint and several guarantee of Charles J Haughey and Maureen Haughey. These guarantees will continue to be supported by the title deeds presently held.

"We should be grateful if you would:

"1. Have a copy of this facility letter signed by both yourself and your wife.

"2. Arrange for the Central Bank of Ireland approval to be stamped on the copy of this letter.

"Having had the above documentation completed, we should be grateful if you would hand them to Des Traynor for onward transmission to us.

"Yours faithfully, John A Furze."

There then is on this particular document, a signature,

Charles J Haughey and Maureen Haughey. Can we take it that that is yours and Mrs. Haughey's signature?

A. Yes.

Q. And then there is stamped the approval of the Central Bank on the document.

A. Yes.

Q. Now, you must have signed that particular document, isn't that correct, yourself and Mrs. Haughey?

A. I did, yes.

Q. And it was addressed to you at Abbeville; isn't that correct?

A. Yes.

Q. And can we take it it must have arrived at Abbeville?

A. I beg your pardon?

Q. It must have arrived at Abbeville.

A. Oh yes, I suppose so, yes. Well, there is a possibility that he may have, Mr. Furze, may have made it out to me, sent it to Des Traynor, who may have passed it on to me, but

Q. Well, do you remember receiving it? This was effectively a rolling over of the loan, extending the period of the loan.

A. Yes.

Q. Do you remember receiving it?

A. Well, I must, because I signed it.

Q. And do you remember that you were dealing with the Managing Director, that you must have had a telephone conversation

with a Mr. Furze, who was the banking Director of Guinness Mahon Cayman Trust?

A. I would never have had a telephone conversation with Mr. Furze. I am quite clear in my mind that the only time I ever spoke to Mr. Furze, met him quite en passe, at Des Traynor's funeral. That's the only conversation I ever had with Mr. Furze.

Q. Just looking at this letter, and there would be nothing perhaps unusual in the context of what appears to have been all up-above-board dealings of applications for approval from the Central Bank, would there be any reason why you wouldn't have had a telephone conversation with him?

A. No, but not necessarily, but I am sure any telephone conversation of that nature dealing with the Central Bank or approval or otherwise would have been between himself and Mr. Traynor.

Q. Yes, I understand the technical aspects of the drafting of documents and matters of that nature, they were the ones who'd know about how you'd go about it

A. But I wouldn't discuss with Mr. Furze the question of an extension or interests of anything of that nature. I wouldn't and didn't.

Q. Well, the letter is fairly clear, would you agree, it says:

"We wish to refer" it's addressed to you at Abbeville.

It says: "We wish to refer to our recent telephone conversation in connection with an extension of present facility."

A. I see that, Mr. Coughlan. The only thing I can suggest is he is referring in fact to a telephone conversation with Mr. Traynor, not me. I know the letter reads otherwise, but I am also equally clear that never did I speak to Mr. Furze on the telephone or otherwise except on the one occasion when I met him. I am absolutely crystal clear in that regard.

Q. I see. Because I was just wondering, maybe it's something that has slipped your mind, because on the face of it there would seem to be no reason why you shouldn't have had a discussion with Mr. Furze. There was nothing untoward going on here. This was a document for the Central Bank, went to the Central Bank and was stamped by them.

A. It's not that. It's the fact that I never had a relationship with Mr. Furze. Never. Any relationship in that regard was between Mr. Furze and Mr. Traynor. I think they were associates in the bank in the Cayman.

Q. Yes.

A. But I certainly was not ever in direct contact with Mr. Furze in regard to these matters.

Q. But could you be mistaken? Because if you turn over the page, the letter reads: "Having had the above documentation completed, we should be grateful if you would hand them to Des Traynor for onward transmission to us."

It's unusual, would you agree, it's unusual wording, if there was no contact between you and Mr. Furze or if the

documents didn't go to you? I have been dealing with the question of a telephone conversation. There is reference to a telephone conversation

A. Yes, and I am, as I say, quite clear, that I did not have any such telephone conversation then or at any other stage.

Now, I accept that this letter probably came to me, I think you have made that point.

Q. Yes.

A. And that, therefore, I would have signed it and returned it to Mr. Traynor.

Q. Very good.

A. But I don't see any particular significance in the last paragraph.

Q. Very good. Now, in respect of this particular application for Exchange Control approval and on the face of it what appears to have been a loan application to Cayman, there are certain securities required or being sought on the face of the documentation. One is the joint and several guarantee of yourself and Mrs. Haughey and the other is the lodging of the title deeds for the stud with Mars Nominees, which was the nominee company of Guinness and Mahon pending formalising those particular securities if the need arose.

A. Yes.

Q. Now, to the best of your knowledge, were any title deeds lodged with Mars Nominees Limited?

A. I can't say, but they must have been. I mean, if the loan went through, this must have been lodged.

Q. That's what I am inquiring about, Mr. Haughey. Because

A. I have no recollection of lodging Abbeville title deeds.

Q. Because from the records of Guinness and Mahon and Mars

Nominees, which was their nominee company, there is no

record of title deeds being lodged. There is no record of

title deeds being lodged.

A. With Mars Nominees?

Q. In Mars Nominees, which was the nominee company of Guinness

and Mahon here in Dublin.

A. I can't comment on that.

Q. And you have no recollection yourself of title deeds being

lodged, do you?

A. No, but I am just trying to think, were the title deeds

not of Abbeville, were they not in AIB at that stage?

Q. No. In fact, you had got them back?

A. I had got them back?

Q. Yes.

A. If they were to be lodged, the procedure would undoubtedly

have been that I would have given them to Mr. Traynor to

lodge or my solicitor would have given them to Mr. Traynor

probably, more likely.

Q. Can I take it I don't know if you have a recollection

that title deeds aren't pledged to as security to finance a

house; that the more usual place for title deeds to be

retained would be in a bank safe or with one's solicitors,

would you agree?

A. With one's solicitors

Q. It's the more usual place.

A. Absolutely, yes.

Q. And if title deeds if title deeds had been lodged, it's probable that your solicitors would have had some involvement anyway?

A. I would I would imagine that, as you point out, that the AIB at this stage had released I would imagine they had released them to John S O'Connor & Co.

Q. Now, the next document is a letter from the Central Bank to Mr. Traynor from Mr. Donovan.

MR. MCGONIGAL: There is a letter, Mr. Chairman, at 1.6 of Book of Evidence, volume 2, from John S O'Connor & Co to the manager of the Allied Irish Banks dated February 1990, it seems to indicate that they had the title deeds at that time.

MR. COUGHLAN: Sorry

MR. MCGONIGAL: Unless I am confusing things.

MR. COUGHLAN: That was the title deeds to the island of Inishvickillane.

Q. The following document is a letter from the Central Bank to Mr. Traynor and it reads, at the 5th February 1985:

"Dear Des, I have just received your letter of the 22nd January which was held in the backlog of post. I am not returning a copy of John Furze's letter of the 2nd January

stamped and approved. I also confirm Exchange Control approval for the facility to be revised to take account of the interest payable, of 68,000."

What that appears to indicate is that Mr. Traynor had taken or he had sent that letter signed by you which was addressed to you by Mr. Furze, to the Central Bank and they had returned to him and stamped it approved for Exchange Control purposes.

A. Yes, that seems to be the way.

Q. Now, the next document is a letter from Mr. Traynor to Mr. O'Grady Walshe, who was the General Manager of the Central Bank. That's document 117. And it reads:

"Dear Tim, I am attaching hereto some correspondence re C J Haughey. I would be grateful if you would handle.

"With very best wishes for 1987. Kindest regards. Yours sincerely, J D Traynor."

It has some handwritten notes on it. I don't think that I need bring your attention to those at the moment, but it would appear that Mr. O'Grady Walshe sent it to the Exchange Control side of the bank, if you understand me.

A. Yes.

Q. Now, there then follows a document number 118, a formal letter which Mr. Traynor send to Mr. O'Grady Walshe, dated 21st January 1987, and it reads:

"Dear Mr. O'Grady Walshe, attached hereto copies of the

following:

"1. Application from C J Haughey dated 8th December 1982 and approved the 9th December 1982.

"2. Note dated 9th December from Bernard.

"3. John Furze's letter of the 2nd January 1985.

"4. My letter of the 22nd January 1985 to Michael Donovan.

"5. Michael's letter of the 5th February 1985.

"I would be grateful if you would arrange for Central Bank approval to extend the facility for a further two years to the 31st December 1988 and also the payment of interest to the 31st December 1986 in the sum of Sterling 95,613.58.

"Yours sincerely, J D Traynor."

Now, that was, in effect, a further application to extend the period or to roll the loan on or to increase the interest portion of the loan.

A. Yes, I have no knowledge of that letter, but that's what it seems to be.

Q. And if you then go over to the next document, it's just it's a letter to

"Dear Des, I enclose an official reply from our Exchange Control department to your letter for application for

extension ... of £350,000 by Mr. C J Haughey.

"Kind regards and best wishes for 1987. Yours sincerely."

That's from Mr. O'Grady Walshe and it's copied to

Mr. Halpin.

Then the final document, document number 120, is the official response from Mr. Halpin, who was the manager of the Exchange Control, and it reads:

"Dear Mr. Traynor, I refer to your letter of the 21 January 1987 to Mr. O'Grady Walshe.

"Permission is hereby granted for the extension to the 31st December 1988 of Sterling £350,000 borrowing by Mr. C J Haughey from Mr. Guinness Mahon Cayman Trust. As detailed in Mr. John Furze's letter ... permission is also granted for the payment of Sterling £95,613.58 in respect of interest on the borrowings to the 31st December 1986.

"Yours sincerely, Mr. Halpin," on behalf of the Central Bank."

Now, those are the documents available to the Tribunal in respect of what I would describe as the Cayman loan. Now, I think you have what appears to be the Cayman loan I think you have now furnished to the Tribunal a consent or an authorization to allow the Tribunal to take this matter up on the Cayman side; isn't that correct?

A. Yes.

Q. Now, do you yourself ever remember Mr. Traynor telling you that the money had come in from Cayman, that it had been drawn-down?

A. I think I have already told you no.

Q. No, do you yourself ever remember Mr. Traynor ever telling you that such a loan was ever paid back?

A. Pardon?

Q. Ever paid back, to the best of your knowledge?

A. No.

Q. And to the best of your knowledge, there was no demand ever made on you for the repayment of this loan, was there?

A. No, you mean by

Q. By Cayman or anyone here?

A. No.

Q. And to the best of your knowledge, your title deeds for Abbeville and the stud still remain under your control and possession?

A. Am I definite about that, Mr. Coughlan? I am asking your assistance here. We it was suggested that they would be handed to Mars Nominees Limited.

Q. Yes.

A. And you asked me if I did that.

Q. Yes.

A. And I think my reply was that I didn't.

Q. Very good.

A. The only thing is that I mightn't necessarily have given them to Mars Nominees Limited. If it did arise, I would

have given them to Mr. Traynor or perhaps it's complicated instructed John S O'Connor & Co to

Q. I understand that, that

A. So that's

Q. Whilst you mightn't have formally lodged them with Mars Nominees, they were there if Mr. Traynor made a call upon them?

A. I don't recall ever doing anything of that nature.

Q. Very good.

Now, Mr. Traynor had left Guinness and Mahon in 1986; isn't that correct?

A. If that's the date, yes, I'll accept that.

Q. And the Tribunal, from its analysis of the various accounts held in your name or by Mr. Traynor or accounts used by him, have as yet been unable to trace this money coming into any accounts.

A. Well, I don't know that, Mr. Coughlan.

Q. And the Tribunal has been unable to see any evidence of monies going out to pay off such a loan.

A. Again, I don't know that, but I accept that that's the Tribunal's as a result of the Tribunal's investigations.

Q. And the evidence begin by Ms. Sandra Kells from Guinness and Mahon.

Now, you accept that there must have been some discussion between yourself and Mr. Traynor when he prepared a letter for submitting to the Central Bank for Exchange Control

approval in some general terms.

A. I think we have already dealt with that, that I would have he would have in bringing the letter to me to sign, he would have explained why we were signing the letter and that it was to arrange a loan in Cayman.

Q. But you can be of no further assistance to the Tribunal as to the drawing down of any loans or of the repayment of any loan; isn't that correct?

A. No, but then I wouldn't necessarily have. I mean, that's the sort of thing that he would have handled himself, but I have no certainly, I have no knowledge of it.

Q. Well, it was something that you yourself had a responsibility in respect of application for Exchange Control approval, wasn't that correct?

A. Yes, I don't know why he didn't apply himself on my behalf.

Q. I don't think he could have. I think that is the situation.

A. Very good.

Q. Well, it never occurred to you that there was such a loan out there that had to be repaid?

A. Well, I must have been aware of it when I signed the application and then when I received the other letter, the latter letter from Mr. Furze, I must have been aware of it.

Q. And where did you think that that loan was going to be serviced from? Where did you think it was going to be serviced from? How was it going to be repaid?

A. It was just it was an operation carried out by Des

Traynor and I presumed it would be attended to by him.

Q. But from where? From where?

A. I don't know. Both banks, I think, were under his control.

Q. Yes, but a loan has to be repaid. And money has to come from somewhere to repay it, would you agree?

A. Yes, of course. That's if it is repaid, yes.

Q. Well, if you were applying to the Central Bank for approval for Exchange Control purposes, and if you believed that a loan was being taken out, you must have had some discussion with Mr. Traynor as to how it might be paid off. After all it was an awful lot of money?

A. No, that doesn't follow.

Q. I see.

A. Not in the relationship I had with Mr. Traynor. He wouldn't necessarily discuss with me a down-the-road matter of that sort at that time.

Q. Well, let's clarify this so. To the best of your knowledge, there was no loan raised for the purpose of paying off a 400,000 Irish punt loan with accumulated interest, to the best of your knowledge; isn't that correct?

A. That's correct, yes.

Q. There was no land sold by you for that purpose, isn't that correct?

A. No.

Q. It wasn't coming out of any of your salary?

A. Salary?

Q. Salary.

A. No.

Q. So, therefore, if it was to be repaid, it had to come from somebody else; isn't that correct?

A. It would have to be arranged by Des Traynor.

Q. No, arranged it wasn't by way of loan, it wasn't by way of sale of land, it didn't come from your salary, so, therefore, it had to come from a third party.

A. You asked me if any loan was raised that I was aware of.

Q. Yes?

A. I said no. That doesn't mean that Des Traynor mightn't have raised a loan.

Q. Well, to this day, can you point to any other loan?

A. No, I can't, but that what I am saying, as far as I was concerned, the only thing I can say to you is I am not aware of any other loans raised to repay a Cayman island loan. That's as far as my knowledge goes.

Q. Very good.

CHAIRMAN: Thank you very much, Monday morning at half past ten. Thank you.

THE TRIBUNAL THEN ADJOURNED UNTIL MONDAY, 2ND OCTOBER 2000

AT 10:30AM.