

THE TRIBUNAL RESUMED AS FOLLOWS ON THURSDAY, 4TH MARCH

1999, AT 11:30AM:

CHAIRMAN: Thank you for your patience, ladies and gentlemen. I am assured by the responsible Chief Superintendent that the fullest and most careful measures have been taken and that it is entirely in order for us to proceed.

Mr. Healy.

MR. HEALY: Yes, sir, Mr. O'Connor.

ERNAN R. O'CONNOR, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY MR. HEALY:

MR. HEALY: Thanks, Mr. O'Connor.

CHAIRMAN: I understand, Mr. Healy, it is proposed that Mr. O'Connor and some succeeding witnesses will be dealing with some remaining aspects of the evidence at an earlier stage pertaining to Allied Irish Banks.

MR. HEALY: That's correct. The evidence of Mr. O'Connor and the other witnesses will deal with such knowledge as the directors and in the case of Mr. O'Connor the law agent to Allied Irish Banks had concerning Mr. Haughey's indebtedness and ultimately the settlement of it and, as Mr. Coughlan mentioned in his opening, the issue of a press release in 1983.

Q. Now, Mr. O'Connor, you have made a statement for the

assistance of the Tribunal and I think the easiest thing to do might be to take you through that statement and if there are any questions arising out of it, we can come to those afterwards.

A. Right.

Q. You are, of course, a solicitor and for many years you were the law agent of the bank. You were admitted as a solicitor in 1953 and you were enrolled on the 10th June of 1953?

A. That's correct.

Q. You practised as a solicitor for a while with a number of firms in Clare and Waterford until December of 1957, and then in January of 1958, you joined the law department of the Provincial Bank of Ireland. You were eventually appointed law agent of that bank in 1965 and you retained that position until 1969 when the banking business of the bank and of the Munster and Leinster bank and the Royal Bank of Ireland were integrated following which Allied Irish Banks became the sole trading bank in place of the three banks I mentioned?

A. That's correct.

Q. You were appointed group law agent of AIB at that time?

A. That's right.

Q. You continued in that position until January of 1989 when you retired, having attained 60 years; you then resumed private practice, although following your retirement, you nevertheless acted for the bank on a retainer basis between

1989 and 1993, and indeed since then you have continued to provide consultancy services to the AIB group.

A. That's correct.

Q. Now, you say that you have never met either Mr. Charles Haughey or Mr. Desmond Traynor, either socially or in the course of business and you had no involvement in negotiating the settlement terms referred to in the course of this inquiry and in evidence given by other witnesses from the bank.

A. That's correct.

Q. And we are talking about the settlement that was achieved in 1979, at the end of 1979 and the beginning of 1980.

Now, I think you are familiar with the correspondence which came into existence in connection with that settlement.

A. I am, yes.

Q. We will come to it in a moment. Now, you say that you have been shown a draft dated the 21st January 1980 of a letter marked "Strictly Private and Confidential," bearing the address of the head office of the bank but with no addressee and intended to be signed by Patrick O'Keefe, deputy chief executive. Just to confirm that that is in fact the document on the monitor. That's the second page of it showing where the intended signature of Mr. O'Keefe was to be. And if you just go to the front, the first page of the letter. Do you have a copy of it in front of you?

A. I do.

Q. I take it you have a copy of your own statement, is that

right?

A. That's the document I marked A.

Q. The document you marked A, precisely. It's headed "Draft (21.1.1980.)"

A. That's correct.

Q. You say that the intended addressee was Mr. Charles J. Haughey?

A. That's right.

Q. You say the person referred to as Mr. Desmond on the second line was Mr. Desmond Traynor?

A. That's right.

Q. You go on to say you recognise the type used in producing this draft as one used in your office at that time and you go on to say that from that, it would appear that you were requested to prepare a typed draft of this letter in your office, probably by Mr. Michael D. Kennedy; that arrangement was dictated primarily because of the sensitive nature of the contents and also because of a wish to ensure that correct terminology was used?

A. That's my belief, yes.

Q. You go on to say: I have been shown a copy of draft letter dated 23rd January 1980 with the name of the addressee left blank but with the name of P. O'Keefe inserted as author or sender.

A. That's the document marked B.

Q. I think that's the document, I will show it to you on the monitor so we are sure we are talking about the same

document. It's similar to the last document except that it

begins: "Dear," blank, "I refer to the discussions"

A. Yes.

Q. "Recently had here with Mr.," blank. There's no reference to Mr. Desmond Traynor in explicit terms?

A. That's the same document.

Q. Yes. Well, it's a document in similar terms, obviously?

A. Yes.

Q. "This is a revised version of the draft letter just mentioned and was prepared by me in my office following further instructions as before."

A. That's correct.

Q. You then go on to say: "I have been shown a copy of a letter dated the 24th January 1980, addressed by Mr. Patrick O' Keefe to Mr. Charles J. Haughey, which though following substantially the text of the draft prepared by me, was altered in a number of minor respects."

A. Yes. That's the document marked C.

Q. That's the document mentioned in the course of the Tribunal's hearings. The address is handwritten, the name of Mr. Haughey is handwritten. Mr. Traynor's name is also in manuscript. There are references on the first page, if you can put up the document a little more on the monitor, to various properties at Abbeyville, at Inishvickillane and in County Sligo. The "Sligo" is, in fact, typed?

A. Yes.

Q. And on the second page in manuscript, under Mr. O'Keefe's name, are the words "accepted" and the signature which you believe to be or which we know to be that of Mr. Charles J. Haughey?

A. That's correct.

Q. You say that: "This document followed substantially the text prepared by you but was altered in a number of minor respects presumably by Mr. O'Keefe on his instructions."

A. That's correct.

Q. You go on to say: "I have been shown a copy of a handwritten note containing a summary of the proposed settlement terms in respect of Mr. Haughey's indebtedness. The upper half of this document is, I believe, in the handwriting of Mr. Gerald B. Scanlon, then central advances controller. The note may have been brought to me by Mr. Kennedy."

Now, that is the document shown now on the monitor before you and I think you have your own copy.

A. My document marked D.

Q. "The handwriting in the lower section of this note is mine. Apart from my involvement in preparing typed drafts of the letter intended to be sent to Mr. Haughey, I was not otherwise involved and did not participate in any discussions regarding the proposed settlement terms."

A. That's correct.

Q. Now, the top part of that document presumably came to you

and you made some notes yourself and you have noted the security of a first charge over Abbeville, a guarantee, you then refer to Larchfield. Do you know what that reference is to, that's presumably to Inishvickillane?

A. I think Larchfield was a company which held some property.

Q. I think Larchfield was the company which held the Inishvickillane, the owner of the Inishvickillane property. Under that, beneath it says could you read what's under that?

A. "No working account, do not offend."

Q. No suspense

A. "No reference to wages account."

Q. "No reference to wages account, no working account, do not offend." The top it says: "In full settlement, 750,000" and then "plus 110,000." And then the handwriting on the right of that, which is not easy to decipher I am not criticising you, it may be the copy in fact. Perhaps you can make more sense?

A. "Two months stand free of interest pending clearance within a reasonable period from" I am not terribly sure what the next word is, it could be "funds."

Q. Disposing I think "disposal," I hear Mr. Sheridan, he seems to be right, that's from disposal of assets?

A. That's the next line.

Q. I see. I beg your pardon. Does it say "to out stand free of interest pending interest"

A. "Within a reasonable period from," it may be Larchfield but

I don't. I think the second part of the word is "funds."

Q. Yes, from funds

A. "Arising from disposal of assets, it being stood that."

Q. "Not less than"

A. "Not less than 10 percent of any such realization."

Q. Right. Now, I take it that when you say you had no part in the negotiation of this settlement, that your involvement was to provide a facility for producing documents?

A. Correct.

Q. Perhaps not just any facility, because I presume there were many other people could have provided such a facility, whoever was involved could have gone to any other office, but I presume the law agent's office was chosen because it was more likely to be confidential?

A. It had a certain assured confidentiality.

Q. Yes. And you took that to be the reason that the matter was brought into your office?

A. That's correct.

Q. You were not consulted about the terms of the settlement at any point?

A. No. I think what I was consulted about was the phraseology and the terminology.

Q. Do you believe that you drafted the letter or do you think that you may have indicated the lines along which it might have been drafted?

A. Having studied the documents this morning, I am more convinced now that a first draft of the document might have

been produced to me.

Q. Yes.

A. Prepared by Michael Kennedy because it's in Michael Kennedy's handwriting.

Q. Yes.

A. I thought initially that I might have, having got the broad terms of the terms of settlement, that I might have set those down and dictated them to Michael Kennedy and that he wrote them down longhand, but on reflection, I think that it came about the other way, that he arrived to my office with a draft and I touched it up here and there.

Q. I see. So that when you your involvement in this then did not involve your knowing the details of the indebtedness or the amount outstanding in Mr. Haughey's account at the time this settlement was arrived at?

A. Well, I knew nothing more than the figures that were put in front of me.

Q. And you were not at any time consulted prior to that in relation to enforcing the bank's security or taking any steps against Mr. Haughey to recover the money that he owed the bank?

A. Not to the best of my recollection.

Q. I see. You go on in your statement, and I am now passing to 1983 for a moment to say that: "I have been shown a document at Tab A at 277 of Tribunal Book 2601990/4." You say: "This appears to be a copy of a press statement issued by the bank on the 31st January 1983 and which

appeared in the Evening Press on the 1st February 1983."

Now, that's the statement, that's the document, I think, that we have had up on the monitor before.

A. Yes, I recognise it.

Q. That's not necessarily the document I think what's on the monitor at the moment is what looks like an internal document or some public relations office document. What you are referring to is the actual Evening Press statement I think; is that right?

A. No, I think when I made the statement, I was referring to the document which is on the screen.

Q. You see, you didn't at any time have a copy of that document.

A. I did have that too, yes.

Q. Right. Would you prefer to stick with this document for the moment?

A. Yes.

Q. You say it was not part of your function "to draft press statements or internal memoranda though such documents were frequently referred to me, if it was considered that the contents might have legal implications or significance."

You say: "I believe that I saw this document in draft form when it was produced to me for vetoing prior to release.

It is also probable that I had an input both of an advisory nature and also as regards the content because of the sensitive nature of the communication. Not having the

draft which was originally produced to me, I cannot say with certainty what my contribution was to the final text. However, subject to this reservation, I believe that parts of the text of the first paragraph, i.e., that following the introductory words and of the third paragraph, could be attributed to me as these paragraphs dealt with the legal parameters of the bank's position."

A. That's correct.

Q. We will come back to that in a moment.

"I am certain that I did not draft or contribute the text of the second paragraph, although I must have seen it if it was part of the original draft produced to me. As I say, without the original draft document, I am at a clear disadvantage and must rely on memory."

You go on to say: "I recollect with greater clarity the background to the decision to issue the press statement. It seems that a reporter or correspondent with a leading Irish newspaper had informed the bank probably through its public relations officer of having learnt (allegedly as a result of indiscreet talk by officials outside the bank) that Mr. Haughey had come under severe pressure from the bank sometime previously to clear his indebtedness to the bank's Dame Street branch. I believe that a figure substantially greater than the amount which had been owed to the bank was quoted by the reporter or correspondent and the bank was asked to confirm the accuracy of the

statement.

"The bank was informed that in the event of a 'no comment' reply, the news item would go to print quoting the figure supplied by the representative of the newspaper. The bank found itself in a dilemma. On the one hand it had a solemn duty of confidentiality to its customer (or former customer) not to disclose information concerning his account or affairs to a third party (having no right to such information) or indeed that an account relationship ever existed. While on the other hand, the bank having been apprised of the intention to publish the news item quoting a substantially inflated figure, felt that it had a moral duty or obligation to try to curtail the dissemination of such inaccurate information. The press statement represents the bank's attempt to achieve these twin objectives. I recollect that following this incident, I recollect that following this incident, managers at branches were exhorted, through the system, to remind staff of the importance of maintaining strict confidentiality regarding customers' affairs and in particular to avoid making reference to any customers or their banking affairs when involved socially outside the bank."

Now, if I could just take you back to the second page of your statement. You say that you think that you may have been the author or that you may have contributed to the first paragraph and the third paragraph of the body of this statement. Now, the first paragraph, I take it, is the one

that begins: "Allied Irish Banks has a strict policy and a duty to maintain confidentiality with regard to customers dealing with the group and each member of the staff completes a formal declaration in that regard."

A. That's right.

Q. That goes on: "When occasionally happens statements are made by third parties which appear to be authoritative but are not, it can also be the case that a denial of the bank might itself be a breach of its duty of confidentiality and generally the bank feels best not to comment. Allied Irish Banks found itself in this position on a few occasions recently."

I want to go to the third paragraph.

You say: "For the future Allied Irish Banks would hope its commitment to the rule of confidentiality would be understood when it declines to respond to statements or suppositions put to it in the request for information which it may not divulge."

Now, the first paragraph simply states not just the bank's policy but, in fact, the legal situation inasmuch as the bank had a legal obligation of confidentiality toward its clients?

A. That's correct.

Q. And, in fact, in the absence of a court order, the bank, without the consent of the client, may not disclose details and perhaps not even the existence of its client's account,

isn't that right?

A. That's generally correct, yes.

Q. And as the bank's law agent, you would have been satisfied that no member of the bank's staff had any right without the consent of a customer or without a court order to disclose any details concerning a client's indebtedness?

A. Yes, I don't I don't put any emphasise on court order because there are situations where a bank may divulge information concerning a customer's affairs and one of those would be when it's in the bank's own interest to do so where it's a matter of public policy.

Q. I see. We are not going to argue about it because I take it you do regard this as one of those situations, do you?

A. Yes, I do.

Q. You feel the bank had a right to breach the duty of confidentiality to its client?

A. I felt they had a duty at that time.

Q. Had they a right to breach the duty of confidentiality?

A. Yes.

Q. That's your view?

A. If you come within the exceptions, yes.

Q. Well, what was the public policy? I wasn't aware that this was your view, Mr. O'Connor, so you will forgive me for taking the matter up with you now. What was the public policy consideration that justified the bank in breaching its duty of confidentiality in this case?

A. Well, to the extent that there was no public disclosure of

the customer in question, other than to those who might be intent on disseminating this story.

Q. I am sorry, I don't understand you. Perhaps you would go over that, maybe you

A. The situation wasn't the same in what the bank did through this press statement, wasn't the same as if they were divulging the name and address of a customer, that was still kept anonymous, except to those people who were intent on disseminating or printing this story. They would have recognised in the press statement who the bank was talking about, but the ordinary man in the street mightn't.

Q. We will just clarify what, that we are both talking about the same thing. The bank issued the statement and the statement says: "Allied Irish Banks has issued the following statement through its group public relation office at the bank centre." Now, that's the wording that's just above the first paragraph that we see.

It again goes on in that paragraph, in the second paragraph to which I now want to draw your attention: "However, in the Evening Press of the 28th inst, in fact, in the newspaper, that's published, however, as published in the Evening Press on January 28th, in an article by a special correspondent and so on dealing with the financial affairs of a well-known figure it was stated that sources close to Allied Irish Banks insist that he owed them around 1 million pounds last year."

A. Yes.

Q. Now, that statement appeared in the Evening Press and referred to a statement just maybe a day or so previously also in the Evening Press. Are you aware of what the statement some days previously in the Evening Press said? Are you aware now of what it said?

A. Oh yes, I have a copy of what the article by the special correspondence.

Q. Were you aware at the time of what it said?

A. I can't recollect.

Q. Would you agree with me that the document which I think you have been furnished with a copy, which we can put on the monitor now, makes it abundantly clear that what is being referred to is the position of Mr. Charles Haughey with Allied Irish Banks?

A. That's right.

Q. What it says, lest there be any doubt, if you go to the left-hand column to, I think, the third paragraph, it says: "It has been rumoured in discreet financial circles for years that Mr. Haughey owed 1 million pounds to a major bank and that the bank had held its hand because of his elevated political position. Interest rates had been very high for the past few years and this correspondent can confirm that sources close to Allied Irish Banks insist that he owed them around this sum last year."

Now, can there be any doubt but that statement was referring to Mr. Charles Haughey and the level of his indebtedness towards Allied Irish Banks?

A. There's no doubt about it.

Q. And can there be any doubt that in issuing a statement referring to that press report, Allied Irish Banks could only have been referring to Mr. Charles Haughey?

A. Clearly they were referring to Mr. Haughey.

Q. Yes, that's why I want to get back to the proposition you advanced a moment ago when you said you felt that the bank had a public policy duty or right to override the company confidentiality of a client. You say that in answer to my question as to what that public policy was, you said that there was no breach of confidentiality because the client's name was not identified. Did I misunderstand you when I believe that I heard you say that?

A. I said that, yes. In the press statement, the person in question was referred to as a well-known figure.

Q. I see.

A. But what I am saying is that this statement in itself wouldn't indicate a breach of confidentiality when the customer was not named. If you put the article in the paper together with that, if people marry the two together, it's obvious it was referring to Mr. Haughey.

Q. And are you suggesting that it wasn't intended they should be married together? Was it not intended this statement would refer to that press report?

A. I think the bank was concerned if you read the words, I think we probably hit the bank what hit the bank harder than anything else, "sources close to Allied Irish Banks

insist that he owed them around this sum around last year." That was an indictment of the bank and its staff and I think that was really what provoked them into going to press with this statement.

Q. That may have been their motivation. What intrigues me, Mr. O'Connor, is the fact that your position seems to be based on the notion that in some way that statement did not identify Mr. Charles Haughey, and I want to suggest that you are a lawyer of immense experience and there can be no doubt that any reasonable person would believe that that statement referred to one person and one person only, Mr. Charles Haughey, and that that was the clear import of the statement. To correct what the bank stated in the statement was an inaccurate and outlandishly inaccurate account of Mr. Haughey's indebtedness to the bank. Can it have been directed to any other customer?

A. Oh, clearly it was directed to Mr. Haughey.

Q. Yes.

A. Yes. But the bank clearly had no wish to publish his name.

Q. I don't want to labour this point, Mr. O'Connor, but would you agree with me that it wouldn't be unreasonable to take the view that that statement makes it absolutely clear that the bank were identifying Mr. Haughey, they were identifying him as in the most express terms? There's no difference between that statement and a statement which included Mr. Haughey's name. No difference at all.

A. I would agree to those who were familiar with the article in the paper, they would quickly put two and two together.

CHAIRMAN: Would even an apathetic reader of the second publication not have felt naturally inclined to check back who the possible person in the first publication was?

A. Curiosity would dictate that, but the point I was trying to make really was that if that document was found on the street, the finder could not identify Mr. Haughey from it.

Q. MR. HEALY: If that particular document was found on the street?

A. Yes.

Q. But sure it refers to the Evening Press of the 28th January.

A. You would have to get the Evening Press then.

Q. I see. That's your answer, Mr. O'Connor?

A. That's right.

Q. In drafting the parts of that document that you drafted, were you aware of the extent of Mr. Haughey's actual indebtedness, either in 1983, in 1982, or at any recent time or any time prior to that time?

A. Not in specific terms.

Q. Did you know that at the end of 1979 and the beginning of 1980, Mr. Haughey owed the bank in excess of 1 million pounds, about 1.14, depends on how much, what date you pick, 1.14, 1.17 million, in any case in excess of 1.1 million?

A. At the time we were drafting the letters going from Mr. O'Keefe to Mr. Haughey, I was aware of the figures then, yes. That was 1980.

Q. Sorry, you were aware of the full figures then, were you?

A. I was aware of the figures that were given to me.

Q. You were aware of the 750?

A. That's right.

Q. Plus 110?

A. And 110.

Q. You were not aware of the full amount of the indebtedness that had been actually settled or compromised?

A. I couldn't say that I was.

Q. Yes.

A. I am not denying but I just don't remember.

Q. At the time you wrote that statement, you don't think that you were aware of the full figures?

A. I wasn't conscious, as I say. I don't admit authorship of the middle paragraph and I wasn't conscious of that figure. It may have been in the draft that was brought to me, but I don't recollect it.

Q. Do you agree with me that the central paragraph is not a paragraph that you would have written if you had been armed with the full facts?

A. Unless I wish to engage in cleverality (sic), I wouldn't have written that letter because in one sense, it was accurate, in another sense, it would be a little deceitful.

Q. Perhaps you would remind me in what sense it was accurate.

A. Well, the statement was sent out in February 1983, a point at which Mr. Haughey's debt had been reduced to 110,000 to consequently it was suggested he would have owed around €1 million in the previous year.

Q. Yes.

A. Was that inaccurate?

Q. It was.

A. But as I say

Q. It wasn't outlandishly inaccurate?

A. No.

Q. That's what I am getting.

A. I wouldn't have wished to burden

Q. I don't believe lawyers would use language like that, but I don't believe a responsible person would use language like that, even if they weren't a lawyer.

A. It's not part of my vocabulary.

Q. And I think from the letters we have seen in the course of this inquiry written by bankers, I don't believe responsible bankers would use an expression outlandishly inaccurate if they knew the true facts. I am not suggesting the man who wrote that knew the true facts, but if you knew the true facts you wouldn't have written that or used that expression.

A. I can't answer that.

Q. I see. Can I ask you to turn to the last page of your statement to clarify one or two things.

You refer to the fact that a journalist had contacted the bank you think through its public relations officer and was suggesting that Mr. Haughey owed the banks a substantial sum of money. And you say that you believe that the figure mentioned was an inflated figure. And I take it that what we're talking about here was a figure that was inflated beyond what Mr. Haughey actually did owe the bank in 1979/1980?

A. That's my recollection, yes.

Q. And there was a threat that this would be published and you say: "The bank was in a dilemma, it had a duty of confidentiality to its customer, and at the same time, having been apprised of the intention to publish a news item quoting a substantially inflated figure, it felt that it had a moral duty or obligation to try to curtail the dissemination of such inaccurate information."

So that as you say it, the bank were presented with a choice, do we allow a journalist to state what is in fact in truth something which would be inaccurate? Do we allow him to publish an inflated figure for Mr. Haughey's indebtedness? Or do we have a moral duty or a moral obligation to try to curtail the dissemination of such inaccurate information? Is that a fair summary?

A. Yes.

Q. Now, I appreciate that that is perhaps the situation the bank may have found itself when the reporter or journalist contacted the bank, but at the time that this statement was

drafted, it is clear that the bank knew precisely what was being stated in the newspaper report, isn't that right?

A. That's right.

Q. So the bank was in a position to know that the figure was not an inflated figure in fact, isn't that right?

A. Well, as I say, it depends how you interpret it.

Q. Well, let's get into the real word. It was not an inflated figure, is that right?

A. Well, in real terms, it was inflated.

Q. Sorry, €1 million is inflated?

A. Well, if Mr. Haughey if Mr. Haughey at the time of the release of that statement owed 110,000, to suggest that he owed a million

Q. Yes.

A. would be inflated.

Q. We will pass on from that because you say that what was exercising the bank's mind was its moral obligation or its moral duty to curtail the dissemination of inaccurate information.

Now, what I suggest to you is that if that was what was exercising the bank's mind, it had a moral obligation or a moral duty not to quote a figure which was itself or not to make a statement which was itself inaccurate?

A. Yes, I think that's

Q. And significantly inaccurate.

A. I think that's questionable, yes.

Q. Have you any idea at all who brought that statement to you to be to have you run your eye over it, or whatever you were asked to do with it?

A. My recollection is that there was a change in the public relations organisation at that time, the group was now becoming the emphasis was coming on the group and that there had been a new group public relations installed or about to be installed. And to the best of my recollection, it was Kevin Burke, I think, who was then heading up that new group.

Q. Was that called communications department or whatever, it embraced perhaps both PR and communications?

A. Yes.

Q. On a group level, because there was can I use the expression, domestic banking public relations office?

A. That's right.

Q. And you don't think it came from that office, and I think the individual charged with responsibility of that office doesn't think it came from him either, is that correct?

A. That's correct.

Q. I know that you have described what you believe was the dilemma facing the bank at the time this query arrived and that prompts me to suggest, maybe I am not right, that when the matter came to you, that the dilemma which you were faced may have been the one you described, and indeed I accept it was the dilemma, but that at the time that you were dealing with this matter, you may not have had the

Evening Press statement of the 28th and that the dilemma which you describe is a dilemma you could only find yourself if you did not, in fact, have the 28th January article. Do you follow me?

A. Yes.

Q. And that therefore that is possibly why you have no recollection or no clear recollection of the central paragraph. And could I suggest that that was put after the matter left your hands?

A. My recollection is that at the time that I was consulted, the publication of this article was imminent, not that it actually happened.

Q. Precisely, that's my point.

A. Yes, and this was in a sense a preemptive strike.

Q. Precisely. And that whoever put in that paragraph put it in after the Evening Press report had appeared and after the dilemma which you have described had passed, but of course where the bank still had a moral obligation to prevent the dissemination of untruths?

A. That's right. I have no dates on the document that is displayed here, so I don't know when it came into being.

Q. I see. I am simply trying to tie the document in with your own impression of what was exercising your mind.

A. I understand there were two things, the actual press statement and then this information document.

Q. I see.

A. I don't know if they are the same thing.

Q. Well, it may be that the information document was issued internally after the press statement was issued as it were externally.

A. That's my understanding, yes.

Q. But it would seem from your impression, as I said of what was exercising your mind, that you must have been involved prior to the publication of the Evening Press report as opposed to the bank's statement?

A. That's my recollection, yes.

MR. HEALY: Thanks very much.

CHAIRMAN: Mr. Sheridan?

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHERIDAN:

Q. Mr. O'Connor, the use of the expression "outlandishly," it's not clear who drafted that paragraph at this remove?

A. That's correct.

Q. Mr. Healy has indicated the one possibility is that it may have been the individual who was then in charge of then around that time took responsibility for group communications and public relations?

A. That's right, yes.

Q. And that individual unfortunately died last June?

A. That's right.

Q. The Chairman in opening these sessions emphasized the need to be fair to those who are not now in a position to answer for themselves. Would you accept that the choice of

expression used in a statement such as that, it can largely be a question of the personality or the personal choice of the individual concerned?

A. Absolutely.

Q. That what might be outlandish to one person might not be so described by another person?

A. Well, I think everybody doesn't speak like lawyers, thankfully.

Q. And the one other matter which is not dealt with in your statement, but since you are giving evidence to the Tribunal, it might be of assistance to have your views on it, I think you, in preparing your statement for the Tribunal, have reviewed the statement of security held by the bank at the time of the settlement in 1980?

A. Yes.

Q. And that security was a first charge over the lands of Abbeyville, stamped cover €350,000?

A. Yes.

Q. It was a letter of guarantee from Mrs. Haughey in an express amount of €350,000?

A. That's right.

Q. And then there was a guarantee of Larchfield Securities in support of which they had pledged they had deposited the deeds of Inishvickillane Islands?

A. That's correct.

Q. And that was, I think, a guarantee for €40,000?

A. That's as I understand it.

Q. Now, in a situation whereby express contract with a borrower, security is stipulated for in terms which is limited to a particular amount, isn't it the case it is only good security for that amount?

A. That's correct.

Q. So that the security as of January/February 1980 was €350,000 on the first charge

A. That's right.

Q. €350,000 by way of guarantee from Mrs. Haughey which was secured by her interest in Abbeyville?

A. That's right.

Q. Giving, I think, €700,000, and €40,000 secured in Inishvickillane?

A. Yes.

Q. Which comes to €740,000. And then there was miscellaneous other security.

Now, one of the matters which has exercised the Tribunal has been the circumstances in which the arrangement or compromise with Mr. Haughey was reached, particularly having regard to the fact that the bank had security.

A. Yes.

Q. Now, in assessing the decision made by the bank to accept €750,000 plus the so-called debt of honour of €110,000, in your view, is it relevant that the security on one interpretation was limited to secure an amount of in and around €750,000?

A. That seemed to be the situation, yes.

Q. I think it was put by Mr. Coughlan, I think the other day to Mr. Scanlon, the bank had possession of the deeds and this gave them a certain power in respect of negotiating with Mr. Haughey. But of course it is the case, is it not, that an equitable deposit of title deeds is only security in respect of a debt for which it has been given as security?

A. Well, yes. Well if there is a precise debt at the time rather than a running obligation. If you deposit title deeds as security for an overdraft, then the security would run to the extent of the overdraft.

Q. Yes, but in an overdraft it would not normally be the situation, would it, that there would be a facility letter to the borrower which stipulated for security and expressly stipulated that that security was to be stamped to a particular figure?

A. Yes.

Q. I mean, an overdraft, traditionally in the case of an overdraft, particularly at that time, would be comparatively uncommon for there to be a facility?

A. Yes.

Q. Overdrafts just done usually the practice of the bank

A. Even with a running account, you have to determine a figure initially at which you are going to stamp or for which you are going to stamp. It doesn't mean that you can't advance any more and then stamp up your security unless there is some binding obligation that the security is taken for a

precise figure and no more, in which event if the bank advances more than that, it's hoisted by its own petard.

Q. If in the final formal sanction which the bank gave to Mr. Haughey, which I think was in January of 1977, if in that, in the letter to Mr. Haughey for that sanction, the bank expressly stipulated that the charge on Abbeville was to be limited to €350,000, it is arguable that in 1980, the bank's security over Abbeyville only extended to secure €350,000; that unless Mr. Haughey was prepared to pledge his property as further security for a further debt, that the bank's security was limited?

A. Yes, it could be interpreted that was the understanding, that the security was available to cover that amount and no more.

Q. And that amount only.

A. Yes.

Q. And that is a relevant consideration for a bank in determining what constitutes a commercial settlement of a debt?

A. It certainly would be, yes.

MR. SHERIDAN: Thank you, Mr. O'Connor.

MR. HEALY: Just one matter, Sir.

CHAIRMAN: Mr. Scanlon did, in the course of his evidence in general terms, say that he would have viewed Mr. Haughey as a bank customer as being asset rich. Would you take

issue with that description?

A. No, I wouldn't, no.

MR. SHERIDAN: I think, Sir, that he was undoubtedly asset rich, but the bank's decision as to what it would accept in settlement of their position in 1980 was, was the influence by the extent of which he had security over the assets he certainly had assets, the question was did the bank have security over those assets and to that extent, what security.

MR. HEALY: Yes, sir, thank you.

THE WITNESS WAS EXAMINED FURTHER AS FOLLOWS BY MR. HEALY:

Q. I think the question that you were asked, Mr. O'Connor, and this is a very interesting discussion, is that whether a certain construction of the bank's letter of sanction to Mr. Haughey might have in some way limited the bank's room for maneuver, and I think most specifically what you were asked was whether if in 19 it must have been 1977, a letter of sanction was written to Mr. Haughey which in some way precluded the bank from doing what the bank would normally do when it took an equitable deposit of title deeds. Unless there was something in that letter which precluded the bank from stamping up, the bank might be limited in its room for maneuver. That's the legal question that's being considered, isn't that right?

A. That's right.

Q. That's a fairly interesting legal proposition certainly, and I am not sure that we can resolve it here, and I am sure you would agree that what you are having with Mr. Sheridan is an interesting academic discussion.

A. Well, I haven't seen the documents so

Q. I appreciate that. That's precisely what I am coming to.

I take it you were never asked to consider this interesting point in the course of 1979, 1980, 1978, 1977, 1976, you were never asked to consider it?

A. I have no recollection of being asked.

Q. And it would have been something that would have stuck in your mind, it might have made a bit of law, if it had to be tested, isn't that right?

A. It might have.

Q. Am I right in saying Mr. Scanlon's appreciation of the situation was more likely to be the correct one, Mr. Haughey had a lot of assets and you had all his title deeds?

A. Mr. Haughey appeared to have a lot of assets.

Q. And you had the title deeds?

A. That's right.

Q. Whatever disputes there may have been about stamping up or not, the fact is you had his title deeds and therefore the only exposure the bank had in the absence of stamping up was the exposure to a judgment mortgage. If you fail to stamp up and therefore perfect your security for a larger amount of money than that for which it had been stamped,

your only exposure was to a judgment mortgage?

A. That's right.

Q. And I don't believe anyone ever considered that at the time and there was no judgment mortgage as far as we know?

A. I don't believe so.

Q. But I don't think you would have been terribly confused if you held those documents in your hands about stamping up or not, as a lawyer, I don't think you would be terribly concerned?

A. I don't think about the perfection of the securities.

Q. As a lawyer with many years experience, obviously considering to what extent you can or can not enforce security, I don't think you would have felt your hands were so tied that you would have had to go by the figures Mr. Sheridan has given you?

A. Well, my understanding was that the deal was that the debt is paid, at 850,000, and the bank has the security and it was going to get 10 percent of all realisations from disposals.

Q. I appreciate that. But at that time, I don't think you would have been troubled by the points which have now arisen for the first time, they have never been mentioned in this interesting way in the course of the file; nobody has ever troubled you and you have never heard of anyone considering these points about stamping up or not stamping up?

A. That's true.

Q. And all I am suggesting to you is that as an experienced lawyer, you wouldn't have felt your hands were tied by the fact that the documents hadn't been stamped up, you might have been concerned about a judgment mortgage. I am sure this is extremely interesting for members of the public, but I don't think you would have been terribly concerned about anything other than a judgment mortgage, is that right?

A. That's right.

MR. HEALY: Thank you.

MR. SHERIDAN: I am sorry to labour this, but it is slightly more than an academic point.

CHAIRMAN: Mr. Sheridan, I certainly won't constrain you from making submissions at a later stage, but I am anxious that a number of witness at some inconvenience have attended today

MR. SHERIDAN: There is a point of evidence, if I can reserve my position on that, contemporaneous evidence which suggesting that the matter on debate was under consideration. If I can reserve my position.

CHAIRMAN: I will allow you to do that by all means.

Thank you very much, Mr. O'Connor.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Dr. Liam St John Devlin.

DR. LIAM ST JOHN DEVLIN, HAVING BEEN SWORN, WAS EXAMINED AS
FOLLOWS BY MR. COUGHLAN:

Q. Dr. Devlin, you prepared a statement for the assistance of
the Tribunal and do you have that with you for your own
assistance in the witness-box?

A. Yes.

Q. I think in your statement you informed the Tribunal that
you were appointed to the board of the Munster and Leinster
Bank on the 22 January 1968, is that correct?

A. Correct.

Q. I think you informed the Tribunal that you joined the main
board of Allied Irish Banks on the 31st December 1972; that
you were deputy chairman of Allied Irish Banks for a
period, the 1st January 1984 to 1989; and you retired from
the board of the bank on the 10th July 1991?

A. Correct.

Q. And I think in your statement, you go on in the paragraphs
numbered in the statement to deal with specific queries
which were raised by the Tribunal with you, isn't that
correct?

A. Correct.

Q. So I intend dealing with them that way.

A. Fine.

Q. The first query which you deal with is the query when you
were asked to provide details of your knowledge of the

settlement reached in December 1979/January 1980 between the bank and Mr. Haughey whereby Mr. Haughey's indebtedness to the bank then standing at circa 1.14 million was reduced to €750,000 on certain terms, and you have informed the Tribunal that you do not recollect an ongoing discussion at any board meeting of the final negotiation for settlement, is that correct?

A. That's correct.

Q. You informed the Tribunal that you do remember being informed of the final settlement?

A. Yes, that's correct.

Q. And you are not sure if you received this information at a board meeting or at an audit committee meeting?

A. Yes, that's right, it could have been in advance of the meeting, but unlikely I would say that it was either a board meeting or an audit meeting.

Q. I think the next query which was raised was you were asked to provide details of your knowledge of the issue by the bank of a statement apparently through its public relations department in or around the beginning of February 1983 whereby the bank stated to suggest that Mr. Haughey was indebted to the bank in the previous year in the amount of €1 million or so was outlandishly inaccurate. That's the next point that was raised?

A. Yes.

Q. I think you have informed the Tribunal that you cannot recall the board ever considered such a statement?

A. No, the first time I saw it was today.

Q. Perhaps in the course of your dealings with the Tribunal the first time you actually saw the text was today, yes. I think you informed the Tribunal it would be unlikely that the matter would be referred to the board.

A. Yes, it would, it was left to the these matters would be left to the management.

Q. I think you informed the Tribunal that the earlier comment in the media relating to a leak from a source close to the bank would have raised concern but because it might be interpreted as a breach of the bank customer trust?

A. Yes, because this whole business of confidentiality was a very important one for the directors. When we joined in the first instance, I am not sure if I took a vow, an oath, but certainly I signed a document; and as I said in my statement, there was a lot of theatre attached to the signing of this document because it was important to stress on all concerned that confidentiality just meant that.

Q. Yes, it was the theatre or the ceremony is to impress on people the importance of confidentiality?

A. Yes, that it wasn't just well, everybody is confidentiality, it was a case here you are bound by confidentiality totally.

Q. It's not just an empty formula, so therefore goes through a formal ceremony?

A. That's right.

Q. I think you informed the Tribunal in respect of this query

raised with you, irrespective of the critical nature of an event, a public relations release would be a matter for management and in exceptional cases, might be copied to the chairman?

A. Yes, it would never come to the board.

Q. And you have informed the Tribunal that the phrase "outlandishly inaccurate" would not appear to you to be the style of an official bank release?

A. That is before I saw the document. It seemed to me when it was raised by, I think you, we made our initial meeting, that this looked to me as if it was the interpretation of an oral discussion, because I didn't think that that would ever be written down, that particular phrase.

Q. That type of language?

A. That type of verbiage.

Q. I think you have informed the Tribunal that you can understand the vehemence of a denial in the context of a suspicion that there was a breach of confidentiality and you have informed the Tribunal of the ceremony attaching to the signing of confidentiality forms or documents when you joined the board?

A. Yes, it would have panicked everybody to think that a statement so close to the board became information that

Q. I take it that the position is that, as in all companies, that the board and the board of Allied Irish Banks would have enunciated the policy, the broad policy of the bank, and that it was then for the executives to give effect to

that policy, is that correct?

A. Yes. It was very important to distinguish between what was the responsibility of the professionals and what was the responsibility of those non-executive people on the board, and I think the non-executive people brought to the board their experience and thus they brought this outside input to the professional input which may have been sort of more indigenous; for want of a better word, more indigenous to the bank.

Q. Now, looking at the text of the document which you have seen here, there can be little doubt that as Mr. O'Connor has informed the Tribunal, the first paragraph and the third paragraph, that is a correct statement in relation to confidentiality?

A. That's right.

Q. Both legally, morally and in terms of policy which the board would enunciate, isn't that correct?

A. Yes.

Q. The second paragraph flies in the face of that policy, doesn't it?

A. Yes, but I was looking at that as I say, today was the first time I saw the document.

Q. Yes.

A. And at the top is for information

Q. Yes.

A. And I, I was I am surprised to see the word "outlandish" in it, number one, because as I said in my statement, that

seemed to be an oral comment rather than a written comment. When I saw that, I was surprised. But then I saw the top, it was for information, and I assume now, I don't know if I am correct or not, that this was an internal document, not a press release.

Q. That could be so as well, that particular document could be for internal consumption, but it is almost word-for-word, other than where the words "Evening Press of the 28th inst," it is almost word-for-word what appears in the Evening Press on the 3rd February of 1983?

A. Yes, but it struck me that that might well be a reporter phoning up and getting that reply over the phone in an oral way and that it might have been interpreted, if it was said over the telephone, then there would be parenthesis for the statement of it. I don't know, but that is what, in trying to explain why it was there.

Q. In your own mind?

A. Yes, and again using the vehemence which it had to be denied there was any disclosure.

Q. Yes, but you would agree with me, would you not, that the second paragraph, from your understanding as a director of long-standing in the bank, that that second paragraph flies in the face of confidentiality.

A. Well, I suppose if it was an internal document

Q. Ah, but we can put the text as appeared up in the Irish Press as well.

A. Okay.

Q. This, sorry, if we could have the very top of it please.

"Allied Irish Banks have issued the following statement through its group public relations office at bank centre."

So it's being reported in the news as being something sorry, can you say that?

A. Yes, if that statement was printed in full in the newspaper and it was issued in the bank, then that's it.

Q. And the second paragraph of the statement which is, you see it there, if we can push it up, we can see it appearing

A. Yes.

Q. It flies in the face of confidentiality, as you understand it.

A. I think it was unnecessary, but of course we are dealing with as you said, I am 23 years in the bank and I would say that it was the most sensitive issue that ever came up during my time, and I can understand the panic, if you like, at the statement in the press. I wasn't a party to it. I saw that the first time, but I can certainly understand the panic that would run through the bank at this disclosure, particularly as it was attributed to somebody close to the bank.

Q. When you say the most sensitive issue, do you mean the - you are not thinking about the issuing of the statement?

A. No, the case.

Q. The case, you are talking about Mr. Haughey?

A. Yes.

Q. You are talking about Mr. Haughey's accounts?

A. Yes.

Q. That's the most sensitive issue in your experience of the bank?

A. Yes. And I think it's obvious.

Q. Now, I think the next query that was raised with you was that in providing a response to the previous queries, what the Tribunal required is your knowledge of any board discussions of the matter, whether formal or informal, any knowledge you have of the bank's dealings with the matter, where whether the matter was formally or informally raised at the board or whether your knowledge came to you through contact with other members of the bank staff or through contact with third parties unconnected with the bank. What the Tribunal is really asking, you knew in general terms about it, so how did you know and I think you

A. I have said there I think that there was informal references to the difficulties which the management had with this account at the board.

Q. Yes.

A. But it was never a board agenda item.

Q. Yes.

A. And it was never really discussed in full in the board and I think the reason and I have said this here, the reason for that is that there was a general feeling among the board directors that the less they knew about this the

better because and I haven't said this in it because, quite frankly, if there was a leak, everybody would be suspected. So, it was only mentioned in passing if anything, at the board.

Q. I think that's there's no record of it ever being part of the formal agenda of the board. There seems to be no board minute which would specifically refer to it.

A. It would be totally informal.

Q. Yes. And I think you have informed the Tribunal when you were asked to provide a general account of your knowledge of the operation of Mr. Haughey's account over the period, you have informed the Tribunal that, "the normal practice was for the executives, concerned with advances, to examine the basis for proposed lending and if the amount was over the 'bar' (the minimum requiring the attention of directors) the case was presented with the relevant arguments to the board advances committee." And you don't remember an occasion during your period as director when a facility for Mr. Haughey came before a board advances committee which you attended.

A. I think I said that that I don't remember coming to a board advances committee at which I was in attendance. These advances committee met two or three times a week and not every director attended all of them. What was required was a quorum of directors, so I think, not at any one I have attended.

Q. You have informed the Tribunal you were aware there were

problems with Mr. Haughey's account and they were from time to time informal references to the difficulty which management were experiencing with the account. You do not remember the matter ever being an agenda item, but that one could infer from the general mood of the directors that it was better not to know too much because of the extreme sensitivity of the matter based on Mr. Haughey's standing and the extent of national support for him, is that correct?

A. Correct.

Q. And I think you have informed the Tribunal there was always the fear there might be a leak and that a board member as well as bank staff would come under suspicion?

A. Correct.

Q. And I think you were, as a board member, in agreement with the consensus that it was a matter for management to try and resolve?

A. It was for the professionals to sort out.

Q. I think you informed the Tribunal that there was an occasion when the management indicated that an effort would be made to recall Mr. Haughey's chequebook in the hope of freezing the overdraft, but it wasn't successful?

A. Yes. When I said referred to the informal comments at the board or the committee, the management might have it might have arisen because the management might have said we are trying to get the chequebook off him or something like that, that would be one of the informal

Q. You informed the Tribunal it would not have been practical to return cheques because Mr. Haughey was a popular and powerful leader and a potential Taoiseach, is that correct?

A. Correct.

Q. There was also the risk of litigation?

A. Yes, I explained that.

Q. If a customer has an agreed limit and if the bank allows the customer to exceed the limit without recourse to action, the industry interpretation, there is now a new and implied limit?

A. Yes.

Q. Now, I think you have informed the Tribunal if it were possible to freeze the limit, it would have been in the bank's interest to wait in the hope of eventually forcing a sale of assets, is that correct?

A. Yes, if you had good assets, you just waited, provided that you could freeze it because the bank had time.

Q. But you were aware, I think, in general terms, that Mr. Haughey was averse to realising assets, is that correct?

A. Yes, because it would be sending a message that he had financial difficulties.

Q. Now, we have, at the Tribunal, been through a large amount of internal documentation of the bank and many of the documents dealt with the various proposals put forward by Mr. Haughey to clear or reduce his indebtedness to the bank and of the bank's response to those. Do you have any

recollection of any of these proposals being brought to the board?

A. No, what I have what I do know is that these informal references were really an indication by management that they were allowing the thing to just sleep and that the they would say, they might say that sort of we are still working on it or something like that.

Q. Yes. Now, the documents which were produced here at the Tribunal show many instances of executives at various levels of the bank attempting to get the account under control.

A. Mm-hmm.

Q. And the last time there was approval of a limit was as Mr. Sheridan said in January of 1977 when there was an approval in the sum of €350,000, but then some months later when that had been breached, there was an approval or it was, the local board or the regional board seemed to have approved the breach which had occurred up to over €400,000?

A. Well, that would have been the Dublin local board and I wasn't a member of that board.

Q. Yes. But nonetheless, notwithstanding that particular approval, when no monies were being lodged to the account at all, chequebooks continued to be issued and there were drawings made on the account, substantial drawings made on the account.

A. Yes.

Q. I take it that the board would in general terms have known

that?

A. I am not so sure that the well, first of all, I am not so sure Dublin local board would have the authority to approve the limit.

Q. It wasn't that they approved of a limit, it was the limit had been breached by 50 or 60,000 pounds and what they effectively did was they stamped that particular breach up to in excess of €400,000 as being approved. That's what the document stated.

A. Yes, okay.

Q. Now, but drawings continued after that, substantial drawings continued after that in the succeeding years, and the executives at all times appeared to be attempting to get the account under control, but nonetheless drawings were permitted.

A. Yes.

Q. Would that have been known to the board, in general terms?

A. I am not sure, but I think it could. It could happen that it might have been mentioned to the board that the amount was now so much. I don't a director might have asked.

Q. Yes.

A. In fact, there was a director who asked, but I don't think he got a reply from the management. I am not sure.

Q. Well, management on the documentation and from the evidence given by Mr. Scanlon and Mr. Kennedy appeared to be attempting to deal with this particular account and were making recommendations not to allow sanction further and

were attempting to exhort the local branch manager who was probably in the most difficult position of all to try and get the account under control, but drawings continued without any money being lodged in breach of sanction?

A. Well, there was very little they could do with about it.

Q. This is precisely what

A. The other point is there were lots of other accounts in the bank the manager would be managing as well, none maybe maybe they would be less than this particular one, but that's their business.

Q. I appreciate that, and of course it's for management or executives to manage various accounts and the board wouldn't have a role, but the board would have to have an overall view of what was going on and what you have described yourself, as the most sensitive account in your experience in the bank.

A. Yes.

Q. Was there a general consensus amongst board members, without any formal decision being taken, that, look, we better just allow the drawings to continue?

A. No, I couldn't couldn't say that there was a consensus.

There was a consensus fix it and don't be telling us about it, I suppose, but there wasn't a consensus that sort of something should be done. I mean, life was very easy to say return the cheques, but that wasn't possible in the situation. The only hope the bank had was to put so much pressure on that maybe another banker would be better

disposed to take us out.

Q. The pressure seemed to have been coming the other way, though, didn't it?

A. Well, attrition can go on for a long time.

MR. COUGHLAN: Thanks, Doctor.

CHAIRMAN: Very good. Well, it's a little after 25 to. We will resume at ten to two.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

THE TRIBUNAL RESUMED AS FOLLOWS AT 1:50PM:

MR. HEALY: Professor Patrick Lynch, please.

PATRICK LYNCH, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS
BY MR. HEALY:

Q. Thanks, Professor Lynch. Now, you made a statement for the Tribunal concerning the matters, some of which have been discussed by other bank witnesses this morning. Do you have a copy of that statement?

A. I do, thank you.

Q. Now, I'll take you through the statement first just like the other witnesses were taken through theirs. Is that satisfactory?

A. Yes.

Q. You say that you were a director of Allied Irish Banks from the 1st January 1971 to the 31st December 1984 and you were

deputy chairman from 1975 until you left the board, that is from 1975 until 1984.

A. Yes.

Q. You say that you can't recall a great deal at this remove about the matters that you've been asked about, that is to say about Mr. Haughey's indebtedness, the settlement of his indebtedness and a subsequent statement issued concerning that.

A. Yes.

Q. You say that you remember that it was unsatisfactory, but I think you go on to say a lot of your impressions at this point are naturally influenced by newspaper reports and by evidence already given by other bank officials, other persons connected with the bank over the last few days?

A. Yes.

Q. You say, and I'm quoting your statement: "We on the board would have received progress reports from time to time, but I cannot recall how many or any of the details." You say you recall the late Mr. James Denver who was an area manager as well as a secretary to the Dublin board at one stage indicating to the Dublin local board that there were things happening towards a resolution of this agenda. And you say this could have been in 1959?

A. Yes.

Q. If it would have been, it would have made sense because there certainly was something happening around then?

A. Yes.

Q. When you refer to the local Dublin board, is that because you were a member of that board as well as being a member of the main board?

A. Correct.

Q. You say you've been showing a document at tab 8 of one of the Tribunal books but you can't recognise or recollect ever having seen it before. It could be linked to your memory of a report of Mr. Denver but you can't say at this distance in time. Now, is that a reference to the settlement letter from Mr. O'Keefe to Mr. Haughey? I'll put it on the overhead monitor. Do you see the monitor down there, to your right. I'll put it on the monitor now.

A. I would like to modify one statement towards the end of that page where it says I believe I recollect that Mr. Pat O'Keefe reporting at the main board that the matter of Mr. Haughey's indebtedness had been satisfactorily resolved, I'm not quite sure that it was at the main board.

Q. We can come to that in a moment. You can make that correction. I want to clarify what document is being referred to. If you look at the monitor in front of you now, you'll see there's a reference to Mr. Haughey and a meeting between the branch manager and Mr. Haughey at Aras Mhic Dhiarmada on the 6th of September of 1979. If we could have the document pushed up a little, a little more, please. Now, to the left of the document you'll see there's sort of a boxed-off note which says Dublin local

board, 7th of September 1979, noted and approved area office recommendations across for proceeding with this file for proceeding in this case, sorry. Is that the document you're referring to?

A. Yes, it is. (Document handed to witness.) Yes, I'm familiar with this document.

Q. What the document contained was an account of a meeting between the branch manager and Mr. Haughey in which clearly the seriousness of Mr. Haughey's borrowings were brought to attention. And there were discussions as to how the borrowings might be reduced or liquidated, isn't that right?

A. Yes.

Q. And certain recommendations were made concerning how his account might be dealt with from there on and those recommendations were approved by the Dublin local board.

A. Yes.

Q. Now, apart from what is contained in that memorandum, were you aware in general of the nature of Mr. Haughey's relationship with the bank?

A. I'm sorry

Q. Apart from that memorandum and apart from the fact that there must have been some consideration of it at a Dublin board meeting, were you aware in general of

A. I was aware that Mr. Haughey's account was one of the number of troublesome accounts in the bank, perhaps a very troublesome account.

Q. Were you aware needless to say it's not a question of awareness, but were you of the same view as Dr. Devlin was, according to evidence earlier, that it was not only a troublesome account but that it was a sensitive account as well for political reasons and the status of the borrower in political terms.

A. I wouldn't quite put it that way, you know, since I would regard all accounts as sensitive.

Q. Yes.

A. I wouldn't discriminate that Mr. Haughey's account was a special account, but there were other accounts also in that category.

Q. Yes. His account was special in the sense that it was presenting a difficulty

A. Yes.

Q. extreme difficulties for the bank, but taking action against Mr. Haughey was also proving particularly difficult?

A. Yes.

Q. And some of the bank officials, certainly to judge from their evidence, and some of the directors, attributed that to his political position.

A. Do you mind repeating the end of that question?

Q. I will, of course.

Some of the bank officials who have given evidence here, and clearly to judge from Mr. Devlin's evidence this morning, some of the directors attributed part of the

difficulties of dealing with Mr. Haughey's account to the fact that he was a politician of considerable influence.

A. I would rather not comment on that, I did not share Dr. Devlin's view of that matter.

Q. I see. That wasn't your view in any case?

A. Not really, no.

Q. Were you aware that some of the bank officials were of the view that Mr. Haughey himself was going to keep drawing on the bank and was not going to and was going to, indeed, face down the bank, perhaps because of his political position?

A. Yes.

Q. You were aware of that?

A. Yes.

Q. We'll come back to those detail in his a moment. I think I'll go through the rest of your statement.

You say you believe that Mr. Patrick O'Keefe reporting at a main board meeting sorry, you believe you recollect Mr. Patrick O'Keefe reporting at a main board meeting that the matter of Mr. Haughey's indebtedness had been satisfactorily resolved. You go on to say "In terms of the proportion of the overall debt recovered, I would say that this case was not unique. I particularly recall that in and around the same time there were very substantial sums foregone by AIB in relation to the farming community."

A. Yes.

Q. Now, if I could just go back to the passage in your

statement at the end of the first page, Professor Lynch, where you say that you believe that you recollect Mr. Patrick O'Keefe reporting at a main board meeting that the matter of Mr. Haughey's indebtedness had been satisfactorily resolved.

A. I did say earlier that I wanted that changed from the main board to the fact that I did hear, perhaps in my capacity as deputy chairman from Mr. O'Keefe, that the matter had been satisfactorily resolved. I should add that no figure was mentioned by Mr. O'Keefe.

Q. No figure?

A. That no figure was mentioned by Mr. O'Keefe.

Q. And just to clarify that, you don't have a recollection of the matter being mentioned at a Dublin local board or at a main board, but that you may have discussed it with Mr. O'Keefe, is that it? Is that the tenor of your evidence?

A. I have to be very careful here. It was not mentioned at the main board. It would, quite possibly, quite reasonably, have been mentioned at a Dublin local board.

Q. I see. And at that stage any mention of it to you, or at least of which you were aware, was a mention of a settlement having been concluded; that it was historical by the time it was mentioned to you?

A. That's probably true.

Q. And that the conclusion had been satisfactory?

A. Satisfactorily so.

Q. You weren't aware of the figures?

A. No.

Q. At any time were you aware, prior to this inquiry, that Mr. Haughey owed the bank in the order of 1.1-odd million at the end of 1979?

A. I don't think so.

Q. I see.

A. I was aware that the amount was very substantial, rightly or wrongly I assumed it was in the region of a million, but as I said, I did not have an exact figure.

Q. I see. You say that you're aware that in 19 that you're aware, rather, that around the same time, which would have been 1979/1980, there were substantial sums foregone by AIB in relation to the farming community.

A. Yes.

Q. Is that based on

A. Recollection.

Q. Recollection?

A. Yes.

Q. General knowledge you would have had as a member of the board?

A. Yes, true.

Q. Would I be right in saying you don't have a memory of any specific settlements of substantial debts around that time?

A. Here again I'm afraid memory fails me, that it's too long to recall specific settlements.

Q. Would you have been involved in any specific settlements?

I'm not asking you to recall the details of them

A. The answer is yes.

Q. Would I be right in thinking if there had been a settlement of Mr. Haughey's or indeed anyone else's personal debts in the order of a million pounds, you probably would remember at least that you were involved in some?

A. Yes, I suppose so.

Q. I assume there weren't that many people with personal, as opposed to commercial, debts in the order of over a million pounds in 1979/1980?

A. Not all that many in 1979.

Q. Were you aware that the chairman of the board, Mr. Crowley, had been involved in the settlement of Mr. Haughey's indebtedness?

A. I was aware that Mr. Crowley and Mr. O'Keefe had negotiated with Mr. Traynor.

Q. I see.

A. I was aware of that.

Q. How were you aware of that at the time?

A. I don't quite recall. I've been trying to remember. I don't quite recall how I became aware of that.

Q. Would it be that the chairman of the board had been involved without the board itself being formally involved?

A. You recall that the local board was informed of developments.

Q. Yes, of developments. But when you say to you and I

suggest that the documentation would indicate that

Mr. Crowley was involved, it would appear that he was quite actively involved?

A. Mr. Crowley was more than a part-time chairman, he was a full-time non-executive chairman and he worked very closely with the chief executive. It seemed a very natural thing that he and Mr. O'Keefe should exchange confidences.

Q. Yes. Without bringing to the attention

A. Without bringing it to the main board. The main policy was, as mentioned earlier, the main practice was that details of specific accounts should in no circumstances be brought to the main board. That was settled by top management.

Q. Even in the case of very sensitive issues?

A. Well, as I said a few moments ago, perhaps in conversation, Mr. O'Keefe would have mentioned particular cases to Mr. Crowley.

Q. Were you aware of the 1993 statement 1983 statement, Professor Lynch? This is the 1983 public statement that was or public relations statement that was published in the Evening Press.

A. At the time I was not aware of it. I became aware of it subsequently. I didn't see it until preparing for this meeting with the Tribunal.

Q. Was can you remember

A. Sorry.

Q. Take your time. Can you remember whether it was in the

recent past that you became aware of it; leaving aside your awareness of it in the course of responding to the Tribunal's queries, can you remember whether it was in the recent past that you became aware of it or sometime shortly after it occurred?

A. It was while I was still a member of the board.

Q. Still a member of the board. That would be prior to 1984?

A. Yes.

Q. So sometime between when it was published and, perhaps, a year or so later?

A. Yes.

Q. And how did it come to your knowledge, or can you recall?

A. I don't recall.

Q. You simply have a memory of being aware of it?

A. All I know is that the general view of management and of such main board directors as I discussed the matter with, the main view was surprise and perhaps surprise to the point of astonishment.

Q. At the wording of the would that be at the wording of the statement?

A. Yes.

Q. So the board had no role in it, that's for sure?

A. None whatever. I have to agree with the view that Dr. Devlin expressed this morning, that it did seem to me, in recent examination, a most unlikely document to be produced officially by any senior official of the bank.

Q. Yes. The fact, as we know, however, is that it involved a

number of senior officials.

A. Yes.

Q. It did involve, it would appear, Mr. Burke, who is now deceased and who was a senior official, and it involved Mr. O'Connor who was the most senior legal official in the bank, isn't that right?

A. Yes.

Q. I think what Dr. Devlin was saying, and I think this is the view you're associating yourself with, that the language used was at the very least not the type of language you'd expect to be used by somebody who was fully cognizant of the true facts.

A. Yes, I agree with that view.

Q. Thank you very much, Professor.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. MCGONIGAL:

Q. You have said in your statement that so far as Mr. Haughey is concerned, that in terms of the portion of the overall debt recovered, you would say that this case was not unique. Am I to understand that there were in the AIB at this time a number of accounts where the customer had substantially overdrawn on his facilities?

A. That would be correct. I do not recall the exact number. There were some accounts.

Q. Those were accounts that there had been permission granted for a certain amount, but the customer for one reason or another had decided to overdraw on that facility?

A. Yes.

Q. And the bank's policy in those cases would be to try and call in the accounts and get them sorted out one way or the other?

A. True.

Q. And some of them were in the farming community and some of them would have been in the business community, and maybe more than one may have been in the political field.

A. My recollection is mainly of some farm accounts.

Q. The thing that separated Mr. Haughey from others was his political association?

A. I'm sorry?

Q. His political position. The situation the thing that separated Mr. Haughey, for example, from farming community was the fact that he was in politics.

A. Would you mind repeating that question, would you please.

Q. The matter that separated Mr. Haughey from the others was that he was in politics.

A. I wouldn't comment on that.

Q. So far as the writing-off of debts were concerned by AIB, it was not unusual to do that.

A. It was indeed unusual.

Q. Was it unusual to do it in all cases or just was it done in some cases?

A. Well, certainly not in all cases. If the security was adequate and the security was realised, it would be quite erroneous to suggest that the debts were written off in all

cases.

Q. But clearly there were cases where debts were written off?

A. I haven't said that.

Q. Are you saying there weren't?

A. I've said that there may have been.

Q. The records of the bank would show these?

A. Yes.

Q. And they would be the best evidence really, wouldn't they?

A. I suppose so.

Q. And we'll be able to get a complete record, in fact, if we looked for it, of all the amounts of money that have been written off by the bank

A. I'm sure you could.

Q. in business situations, in personal situations and in any situation that we wanted to look for.

A. But I thought that these cases were fewer and less dramatic than you're suggesting.

Q. I'm not suggesting dramatic or not dramatic. I'm simply trying to find out if they exist.

A. Do you wish me to agree with that statement?

Q. I do.

A. I just don't know.

Q. Thanks.

CHAIRMAN: Thank you very much for coming to the Tribunal, Professor Lynch.

MR. HEALY: In fairness to the witness it's nothing to

do with this witness's evidence I should say that the bank have agreed and are endeavoring to provide some comparative material for the Tribunal, perhaps not along the very extensive lines that Mr. McGonigal is mentioning, but there will be a comparison and it may show the suggestion that the professor made, there might not have been so many cases, but I understand Mr. Sheridan is endeavoring to provide this analysis.

CHAIRMAN: I'll invite the parties to liaise somewhat in dealing with that matter in the first instance. It seems something that will be apposite to come back to.

MR. HEALY: Thank you, Sir.

MR. McGONIGAL: He should, perhaps, have regard to the politics which is a matter that I raised at an earlier stage. It seems to have some relevance now.

CHAIRMAN: Yes, Mr. McGonigal, I think that can be conveyed to Mr. Sheridan.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Mr. Thomas Kavanagh, please.

THOMAS KAVANAGH, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS

BY MR. COUGHLAN:

Q. Mr. Kavanagh, I think you prepared a short statement for the Tribunal and I think you have that with you.

A. Yes.

Q. I think, Mr. Kavanagh, you were a director of Allied Irish Banks from the 16th of May 1979 and you retired from the board on the 21st of May 1997, isn't that correct?

A. Right.

Q. Now, you joined the board some seven or eight months before the settlement of Mr. Haughey's indebtedness with the bank was concluded, is that correct?

A. Correct.

Q. Prior to the settlement of the indebtedness, had you any awareness at all that there might have been a difficulty in relation to his accounts?

A. I'm not certain. I probably had some feeling, probably had, but I'm not certain.

Q. And would that be in the same capacity as other board members appear to have had, that it was a general knowledge rather than a specific knowledge of the details of the

A. Very much so. It's probably something I might have heard at the lunch table or in the corridor or something else.

Q. It would be informally imparted rather than do you agree with Dr. Devlin that this was never formalised on the agenda of the board and it was never recorded in the minutes of the board?

A. I'm I have absolutely no recollection of it being at the board.

Q. Yes. Now, I think most of the information which you have gathered in relation to the indebtedness is, in fact,

coverage which there has been of recent times and from looking at documents of recent times, would that be fair to say?

A. Correct. I've learned about it in the papers recently.

Q. Yes. I don't want you to comment on your the views which you formed because of information which you have received from newspaper reports of recent times, but at the time

MR. MCGONIGAL: Mr. Chairman, to avoid that difficulty arising, Mr. Kavanagh has furnished the Tribunal with a statement which says two things, first of all that I have to say I cannot recollect much if anything about the matter of Mr. Haughey's accounts, and secondly he has no recollection whatever of the issue of the statement from the bank of the edition in the Evening Press or any circumstances receiving the statement. I'm quite happy to accept those two statements as they are and I see no reason to trouble Mr. Kavanagh as trying to keep things in his mind or out of his mind.

MR. COUGHLAN: This happens to be an inquiry and counsel for the inquiry ask questions of the witnesses, not just the statement furnished.

Q. Now, Mr. Kavanagh, if I might just ask you, do you have any recollection of the matter coming to your attention subsequent to the settlement of the indebtedness of Mr. Haughey?

A. Nothing until what I saw in the papers recently.

Q. You heard nothing even in general terms at that time?

A. No.

Q. Now, I think you're aware that the bank issued a statement in February of 1983, or a statement was issued, isn't that correct?

A. Correct.

Q. And it was carried in the Evening Press of the 3rd of February of 1983. Now, I take it you didn't know anything about the preparation or the issuing of that statement, is that correct?

A. Correct.

Q. Did it come to your notice subsequently?

A. I don't think so. I would have been involved with the Cork local board and this would have been a Dublin local board issue. And I think the first time I became aware of the existence of that document was when I saw it in the papers recently. I had no recollection at all of that, having an understanding of what went on of Mr. Haughey's debt, but nothing whatever about that.

Q. Can I ask you this, from your experience as a director of the bank, would you agree with the views expressed by the previous directors, Dr. Devlin and Professor Lynch, that it is at least a very strange statement to be issued by a bank?

A. I probably wouldn't like to comment because I'm not I mean, I have studied the document, I've just read it. When

I say study, I haven't studied the terminology in it, and my hands-on bit in the bank would have been in Cork. I wouldn't like to say that it was totally formal of the bank, it does seem strange but I prefer not to comment.

Q. You were a director and you've been asked to comment in that capacity, Mr. Kavanagh. It's a most unusual document for a bank to issue, isn't it?

CHAIRMAN: He said it seemed strange, Mr. Coughlan.

MR. COUGHLAN: That's all I have.

CHAIRMAN: Thank you very much indeed.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. James Fitzpatrick.

JAMES FITZPATRICK, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY MR. HEALY:

CHAIRMAN: Thank you, Mr. Fitzpatrick.

Q. MR. HEALY: Thanks, Mr. Fitzpatrick. Do you have a copy of the statement you made available to the Tribunal?

A. Yes, I have.

Q. I think in your statement you say that in March of 1935 you joined the Provincial Bank of Ireland which in 1966 became one of the constituent banks of Allied Irish Banks. You were appointed to the board of Allied Irish Banks on the 4th of May of 1976 and you retired from the board, having

completed full service, from the employment of the bank on the 31st of March 1970 1980, so that you were both an employee of the bank and a director up until 1976.

A. Yes, that's right.

Q. And you continued on as a non-executive director until 19 until 1980, is that right?

A. No, no, no.

Q. I beg your pardon.

A. I was always an executive of the bank and in 1976 I became a director.

Q. I beg your pardon. You were an executive director from '76 until

A. Yes, retired from the board and executive position in March 1980.

Q. What was your executive position with the bank?

A. I was chief executive of the bank.

Q. Yes. When you say you were chief executive of the bank, did that mean that you were in the hierarchy, the next most senior employee in the bank below the board?

A. That's correct.

Q. You say while you were on the board, the management structure of AIB was that Mr. Joseph McGlynn was group managing director and later deputy chairman. His role was to oversee the group as a whole. You say that you were the chief executive with responsibility for Allied Irish Banks. So you were dealing with banking in the sense in which this word has been used in the course of the inquiry

sittings, with domestic banking. Is that a fair way

A. I wouldn't say I was dealing with domestic banking. There was a structure in the bank included in the banking division which dealt with domestic banking.

Q. And in that sense in that case, what was your role as chief executive with responsibility for Allied Irish Banks compared to the role of Mr. McGlynn who was group managing director?

A. Mr. McGlynn's function was to oversee the group in its whole in its various elements. I was responsible for, in Allied Irish Banks, for strategic issues.

Q. In terms of seniority, who was most senior?

A. Mr. McGlynn. He was head of the group and I was head of the bank.

Q. You said your primary area of responsibility was with strategic issues and monitoring performance. I also supervised the administration side of the business dealing with matters such as the computerisation of the bank, the development of our new headquarters at bank central and industrial relations.

A. That's correct.

Q. You say that Mr. Patrick O'Keefe was also appointed to the board on the 4th of May 1976, had primary responsibility for the banking side of AIB's business, being initially general manager of banking and subsequently banking director and later chief executive designate.

A. That's right.

Q. Was Mr. O'Keefe then the person with the type of responsibility that I mentioned a moment ago?

A. He had specific responsibility in the field of banking in the sense of the bank's functions in managing the branches and the borrowings that came through the branch system.

Q. I see. You said that you had no involvement in the matter of Mr. Haughey's accounts.

A. That is correct.

Q. You say you cannot recollect any discussion of his account at the level of the main board and that you do not recall the settlement being reported.

A. That's correct.

Q. At the time the main board only dealt with current loans over 2 million.

A. That is correct.

Q. Does that mean that it was the main board which solely had the power to decide in relation to renewing these loans or did it also have sorry I'll just rephrase that. You say that the board dealt only with current loans over 2 million?

A. Yes.

Q. What do you mean by current loans over 2 million?

A. In fact there are two categories of loans, new applications for the first time coming before the board and the minimum there, there was 1 million pounds for completely new applications, and then renewals as we called them of current borrowings, the board only dealt with those over 2

million pounds.

Q. So if there was a loan in excess of 1 million pounds to be granted, the decision for that was one that was made at board level, but once the loan had been granted, any question of renewal of it only arose if it went as high as 2 million, would that be correct?

A. Over 2 million, that is correct.

Q. In January 1980 you say you were approaching retirement, Mr. O'Keefe was chief executive designate and was in the process of taking over your functions.

A. That's correct.

Q. You say you would have had confidence in the members of the bank's management who were handling the case and you consider that it was in the circumstances a good settlement from the bank's point of view from a most awkward situation.

A. Yes.

Q. The principal sum borrowed

A. Yes.

Q. the principal sum borrowed had been repaid, the amount written off consisted of interest including penal interest which had been held in suspense and had not been taken into the bank's income or profit. And I think your final statement was "This troublesome account was now closed."

A. Yes.

Q. Now, I just ask you one or two things about what you were aware then, if at all, or what you may subsequently have

learned concerning the level of Mr. Haughey's indebtedness.

At the time of the settlement in 1970 in 1979/1980, the end of 1979, the beginning of 1980, did you learn at all of the fact of the settlement?

A. No, I did not.

Q. Did you leave the bank, in fact, without knowing of the settlement of Mr. Haughey's indebtedness?

A. That's correct.

Q. So that as far as you were concerned at that stage I should ask you first, were you aware at that stage that Mr. Haughey was a customer of the bank?

A. I was, yes.

Q. Were you aware in even the most general terms of the level of his indebtedness?

A. No. I was just aware he was a difficult customer.

Q. In what way did you form the impression he was a difficult customer?

A. Passing observations from time to time.

Q. Meeting people informally in the bank?

A. Very informally. Never formally in front of me.

Q. When you say that the settlement was a good settlement from the bank's point of view from a most awkward situation, what precisely do you mean?

A. Well, in the figure of speech I'm now aware of and I wasn't at the time, €750,000 cash was provided towards the debt.

The actual principal sum, the amount actually borrowed, was under €700,000, so now the principal sum had been fully

repaid and also some money to pay interest, which was taken into interest paid. The balance of the indebtedness was due to was caused by was caused by interest being charged and also penal interest being charged because the account was not kept within the proper limits. Now, that interest was held in suspense account, not taken into the bank's figures or the bank's profit or income. And the balance of the suspense interest after the remaining balance after the capital had been paid off was written off from the bank's books.

Q. What that means is that because the interest on the account for a number of years had been put into suspense, to settle the account without getting in the interest was not going to affect the bank's profits?

A. Absolutely.

Q. But that doesn't mean that the money wasn't owed to the bank, isn't that right?

A. The money was owed, but the bank was happy that, because this was a very troublesome account and was more or less out of control, the borrowings were ever-increasing, and the fact now that they had the capital sum repaid, the bank had achieved its objective, if you like, of getting rid of this account and getting it out of the bank's books.

Q. And speaking as a banker, your analysis of the situation is that it was an opportune time and appropriate to get rid of the account?

A. Yes, indeed. That was very important to the bank.

Q. There is no question, however, but that at the end of 1979 and at the beginning of 1980, Mr. Haughey owed the bank over €1.1 million?

A. Yes.

Q. And from the point of view of any other customer at the bank who owed the bank over €1.1 million at the time, the bank were not going to refuse interest payments because they had been put into suspense? The bank would have expected any customer, if it owed interest, whether suspense or not, to pay it, is that right?

A. Yes, that was the normal course of business.

Q. In this case the suspense interest had built up over a number of years, is that right?

A. Yes, absolutely.

Q. So for a number of years the bank had no confidence that Mr. Haughey was going to be was going to repay them, in fact, is that what it means?

A. It's not necessarily saying no confidence, it was an account that was running over its authorised limits and frequently the practice would be to put the interest in suspense because there was a potential problem there.

Q. Yes. The problem was that the customer was continuing to overdraw on his account and the bank were not taking any steps to prevent him overdrawing

A. The bank tried very hard all the time to control that account, but it's a particularly difficult account to control because of the person involved.

Q. And was it a case, therefore, that if the bank didn't get rid of the account and of the customer in question, it was going to continue to cause difficulties?

A. Yes, we could have been in an impossible situation, if the account had just grown and grown and grown.

Q. Well, you would have been in an impossible situation because clearly is that because clearly the bank were not prepared to take action against the individual in question?

A. It would come to a point where one had no option but to take action.

Q. And is it the case that the bank did not wish to take action against somebody in a very strong political position, as has been suggested by some witnesses?

A. Well, Mr. Haughey was a very prominent powerful figure with a very large following in the country, and certainly if we took unreasonable acts against him, which might seem to be so, it could be resented by a large number of people and could be damaging in the bank's interests.

Q. Well, it mightn't have been unreasonable for you to expect Mr. Haughey's debts, but it might have been perceived to be unreasonable; is that what you're saying? It would hardly be unreasonable for the bank to insist on the indebtedness being discharged?

A. Suppose we had doomsday situation where we had to make Mr. Haughey bankrupt, that would have been a serious issue for the bank.

Q. You weren't in that situation?

A. We weren't, but we were trying to we were really trying to extricate ourselves from the account as quick as possible.

Q. Is that because taking action against Mr. Haughey would have inflicted damage on the bank?

A. Yes, one has to be realistic about it. He had a very strong following and if we took acts on him that would seem to be damaging to him, you know, it could have had repercussions on the bank's business.

Q. Isn't that because, as well, he had made it clear that he would be a troublesome adversary? Were you aware of that at the time?

A. Only now. It was a difficult case.

Q. I presume if you were dealing with some other customer who might have been difficult to deal with, you wouldn't have found yourself in the same situation as dealing with a difficult customer who had intimated to you in no uncertain terms that he would be troublesome and that therefore to take action against him might cause damage to be inflicted on the bank's interests?

A. Well, it all depends upon the cases really, you know.

Q. Just one last thing. Were you aware at all, as Dr. Devlin was, of a general feeling amongst the directors that the less they knew about this account or the less they got involved in it, the better?

A. No.

Q. That wasn't your impression?

A. Not as executive of the bank, no.

Q. Thank you very much.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. McGONIGAL:

Q. MR. McGONIGAL: The reality, Mr. Fitzpatrick, in relation to this account, is the bank took effectively a commercial decision?

A. Yes.

Q. Having weighed up all of the factors, the amount of the debt, the amount of the interest in the suspense account, the nature of the assets that was backing the debt and the position of the person who held the account, isn't that right?

A. Yes. The fact was that up to the point where the account was closed, we had assets covering the principal sums. If the account kept borrowing in excess of that, we could be exposed. So the time to close the account was at that point in time.

Q. And it was important for the bank to do something in or about the late '70s, early '80s?

A. Yes, because the to stem the growth of the borrowings.

Q. And the decision they wanted was either for another bank to take you out or alternatively you would have had to have considered getting some of the assets sold.

A. Yes.

Q. And to get some of the assets sold meant that you would

have had to have given serious consideration to the position that Mr. Haughey then held in public office.

A. Yes, indeed.

Q. Bearing in mind the fact that from the early 1971 when his debt was 150,000, he was out of office then until 1977 when a substantial part of the debt was incurred. I think that was from the main part of the debt

A. I haven't got figures available to me, but my impression is that the increasing figures was towards the latter part of the time.

Q. So far as the suspense account is concerned, am I right in understanding that part of the thinking behind the suspense account is that it indicates a troublesome account, but indicates an account where interest may not be recovered?

A. Yes.

Q. And it is for that reason that it is put into the suspense account?

A. That's so.

Q. So that it doesn't become confused effectively with the income or profits of the bank?

A. Yes.

Q. Thank you.

CHAIRMAN: Thank you, Mr. Fitzpatrick.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Mr. Robert Ryan, please.

ROBERT D. RYAN, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS

BY MR. COUGHLAN:

Q. Mr. Ryan, I think you prepared the statement for the Tribunal. Do you have that with you?

A. Yes.

Q. I think, Mr. Ryan, you told the Tribunal that you joined the Munster and Leinster Bank in 1949 and became the public relations officer for the James Street branch in 1969 and you were promoted public relations manager for Allied Irish Banks in 1970 and retired from the bank in 1986; is that right?

A. Correct.

Q. You've informed the Tribunal that the functions of the public relations office within the domestic bank at that time were was chiefly the day-to-day contact with the media on issues relating to the bank and in support of its marketing and promotional activities.

A. Correct.

Q. The office was a small one with two officials, yourself and one other attached to it, is that right?

A. That's correct.

Q. I think you've been shown a document which you are told is tab 8, page 277 of the Tribunal Book 261994, which appears to be a record of a statement issued by the bank to the Evening Press on the 31st of January 1983.

A. Correct.

Q. You've also been shown extracts from the Evening Press on Friday, January 28th, 1983 and Tuesday, February 1st, 1983; is that correct?

A. Absolutely.

Q. I'll ask you about those in a moment.

Now, I think following careful perusal of the statement and the relevant press cuttings, you have absolutely no doubt that you were not involved in the writing of or the sending of the statement made by the bank to the Evening Press on the 31st of January 1983?

A. Correct.

Q. You've informed the Tribunal you have no recollection of being involved in the distribution of the internal information document undated, and I think this is the document itself issued by the domestic banking office of the domestic banks.

A. Correct.

Q. You informed the Tribunal and observed that the bank statement is published in the Evening Press is attributed to group public relations and to the best of your recollection which was a separate entity set up sometime in the early '80s and was distinct from the public relations office in the domestic bank.

A. Correct.

Q. You informed the Tribunal as a copy of the statement purporting to come from the public relations office, the statement has a number of unusual features, that is that

the communications to the media from the bank had always a contact name at the end of the page.

A. Yes.

Q. And secondly, in particular, the second paragraph of the statement is outside the course of standard press communications.

A. Correct.

Q. And having studied the document, you're of the firm opinion that the statement did not originate from your office.

A. Absolutely.

Q. Now, I think the document, if we could just move it down, please, right down. And it purports to be a document, Allied Irish Banks Limited, Domestic Banking Division.

A. Yes.

Q. And it's headed "Public Relations Office".

A. That's right.

Q. And on the face of it, it would appear to emanate from your office, is that correct?

A. On the face of it, it would, but we had our own public relations office notepaper which was distinct from that.

Q. As distinct from that?

A. That's right.

Q. Can we take it that the group division, or the group public relations division would have had its own distinct notepaper as well?

A. No. It was just set up at that particular time. Group public relations came into existence roughly around 1980

but operated in a less formal way than we did, but nevertheless were in existence but hadn't been put together in a way that it would have its own notepaper.

Q. But it certainly isn't your notepaper?

A. Certainly not.

Q. So but it appears to be printed notepaper?

A. It's the domestic bank notepaper.

Q. Sorry, it's the domestic bank notepaper, but yours would have other type of printing on it?

A. Yes, press office.

Q. Which would specifically indicate

A. Precisely.

Q. it's from your particular office?

A. It would be, yes.

Q. So the typing in of public relations office is just somewhat misleading, so, in those circumstances, is it?

A. I don't really understand it. I have no memory and neither had my colleague, there was only the two of us, no memory whatever of that.

Q. And can we take it that from the body of the document itself, which seems to be in the same terms as that which appeared in the Evening Press article, that paragraph, if we could just move it up, paragraph 1 and paragraph 3 would not be unusual in that they seem to be a clearer expression of confidentiality and what it's about.

A. There was yes, confidentiality would be normal.

Q. Paragraph 1 and paragraph 3 deals with that?

A. Yes.

Q. But paragraph 2

A. Was completely outside the form of language that we would use in the press office.

Q. And can we take it that in the press office, or public relations division, that you would never comment about confidentiality?

A. Comment on confidentiality?

Q. Confidentiality or breach confidentiality.

A. Oh, we'd never breach confidentiality.

Q. You'd never breach confidentiality. And you would never be the authors of a paragraph such as the second paragraph there?

A. No.

Q. Now, we have heard from Mr. O'Connor this morning that it was his understanding that an inquiry had been received from a journalist, must have been the Evening Press journalist?

A. Yes.

Q. Was that received at your office?

A. It was, but there had been a number of inquiries over quite many months, actually, from particularly two journalists, including the journalist who wrote the article in the Evening Press. While we wouldn't comment, or at least we wouldn't confirm nor deny the stories that he was getting, I let it be known to, I think if I remember correctly, Mr. Burke that they were these comments were these

queries were

Q. Were being made?

A. were being made. But that was the extent of the involvement. They did come through us.

Q. And, of course, your standing instructions and your understanding of confidentiality would be that you wouldn't have a comment.

A. Well in the bank that would be the normal operation.

Q. So you informed Mr. Burke?

A. That's right.

Q. Was Mr. Burke your superior?

A. The line of communication was rather hadn't been well defined at that particular point. But the group was senior to the domestic bank.

Q. They were just setting up their office and you think they mightn't even have had their own notepaper?

A. It wouldn't have been set in place at that stage, I think.

Q. Who did you normally report to before Mr. Burke's office was

A. I would have reported in quite a few different directions depending on what was coming our way. If it was something to do with the marketing or promotional activities of the bank, I actually reported to the general manager of the domestic bank; whereas if it was a serious matter, I would have gone in to the chief executive and reported directly to him or through that. But I had to there were times that

Q. That would be the chief executive banking division?

A. Banking division or indeed occasionally to the chairman of the bank himself because I was he formed a small committee of people to look at public relations, and I was on that. And he had his own personal public relations official attached to him, and he was in public relations, of course. And Mr. Burke was one that I know. There may have been others now, but they were the two that I would have reported to.

Q. Well, can I take it that you would before inquiries were made through your office by journalists, you would probably have had no knowledge at all of the existence of any account of Mr. Haughey's in the bank?

A. I would. I worked in Dame Street.

Q. So you did know

A. I did know.

Q. that there had been an account?

A. At the time that I did, there wasn't a problem.

Q. You just knew there was an account?

A. Absolutely.

Q. And this was a fairly serious inquiry that was being made, wasn't it?

A. Absolutely, yes.

Q. Extremely sensitive?

A. It had been in circulation for quite sometime before it was published in the Evening Press. The person who wrote in the Evening Press wasn't the only one who was actually

researching this particular story. The press generally were on to that.

Q. Was there any can you remember, because you were involved in public relations, was there any political controversy around the time of the issue of this statement?

A. It would be probably wrong of me to speak about political controversy that may have been in the public arena. I mean, I'm not sure

Q. That's what I really want to ask you. You were the public relations officer I know for the domestic division, but you would it would have been part of your duties to keep yourself informed of what was going on in general news terms, isn't that correct?

A. Yes.

Q. And around the time that this particular statement was issued by the bank, can you recollect whether there was any particular political controversy?

A. I knew Mr. Haughey had a was now at that time, was leader of the Fianna Fail party, that he was having some difficulties, but other than that, I wouldn't have been privy to internal or serious

Q. Oh, no, I appreciate that. I'm just taking it from your position, your duty to keep yourself informed in general terms of what was going on.

A. Yes.

Q. You knew that he was leader of the Fianna Fail party, he

was leader of the opposition they were in opposition?

A. They were in opposition.

Q. It was your understanding from what you gleaned in the public domain that he was having some difficulties, was that within the Fianna Fail party?

MR. McGONIGAL: With respect, Mr. Chairman, might I respectfully ask where this is going to? I understood that this document which we were concerned with was the second paragraph. We have identified through the AIB people that their concern particularly in relation to the second paragraph was the word "outlandishly." It doesn't seem to me to be clear at all where we're now what we're now involved in in relation to the terms of reference that you are supposed to be inquiring into. And the questions Mr. Coughlan seems to be now directing is totally irrelevant.

CHAIRMAN: As I see the question, it seems merely an effort to establish from the witness's standpoint, somebody professionally engaged in public relations on behalf of the bank at the time, as to whether or not there were any particular topical events that may have, in his estimation, set the matter in any particular context. I certainly don't think it's intended to canvass the witness's views as any expert as a political commentator at the time but a general inquiry as to whether any particular matters then appear to be noteworthy which may have put matters in

context. I don't propose to have counsel go beyond that general inquiry.

MR. MCGONIGAL: Well, on the basis of that, I'm quite happy to accept, but I don't see, Mr. Chairman, what relevance it has to the issue Mr. Coughlan purported to identify when he started his inquiry in relation to this aspect of the matter.

CHAIRMAN: Well, I propose to allow it, limited on the basis.

MR. MCGONIGAL: I would have thought if it was relevant, it might have appeared in the statement or some notice that it might be appearing in the statement.

CHAIRMAN: I'll allow the question certainly in the context that I've indicated.

MR. SHERIDAN: And I think, Sir, that my client would feel that the ascertainment of matters of political controversy would be something which the Tribunal could do other than people who are here to give evidence in their capacity as bank officials.

CHAIRMAN: I take the point, Mr. Sheridan.

Q. MR. COUGHLAN: You're here as a public relations expert, isn't that correct? Now, you were saying that you were aware that Mr. Haughey at the time was leader of the opposition?

A. Correct.

Q. And you were aware from your general knowledge in your capacity as the public relations officer of the bank that he was having some difficulties, is that correct?

A. The difficulty was not with the bank. Are you talking about his difficulty with the bank?

Q. No.

A. Oh, externally.

Q. Externally.

A. Political difficulties?

Q. Yes.

A. Yes, I was aware he was having political problems. I suppose all political leaders do.

Q. Within the Fianna Fail party, is that your understanding?

A. Within the Fianna Fail party.

Q. Thank you.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. MCGONIGAL:

Q. Were there many politicians having difficulties within their parties at that time?

A. I'd say it's one of the hazards of the political business.

Q. I think it still is, isn't it?

A. Yes.

Q. Thanks.

THE WITNESS WAS EXAMINED FURTHER BY MR. COUGHLAN AS FOLLOWS:

Q. MR. COUGHLAN: Did the bank issue any statement in respect of any other politician at that time to your knowledge?

A. Certainly not.

CHAIRMAN: Thank you, Mr. Ryan.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. Joseph McGlynn, please.

JOSEPH McGLYNN, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS
BY MR. HEALY:

Q. I think you have a copy of the statement you've made available to the Tribunal.

A. Yes.

Q. In your statement you say that you joined the Munster and Leinster Bank in 1938 and that you jointed the board of Allied Irish Banks on the 31st of December of 1972. Upon your retirement from the position of group managing director from 1981, you served as deputy chairman until January of 1984. You say that you retired as a bank director in March of 1985, and that you're 82 years of age.

A. Correct.

Q. You said that your principal responsibilities were at group rather than bank level. Your tenure coinciding with the completion of three constituent banks into Allied Irish Banks Limited, you say that in this period the group consisted principally, in addition to Allied Irish Banks

Limited of Allied Irish Finance Company and Allied Irish Investment Bank and you say that Allied Irish Banks had branches in Britain, Brussels, New York and Chicago.

A. Correct.

Q. You say that your responsibilities were principally at group level. Your involvement with advances was presumably should that read committee of the

A. Sorry, typographical error.

Q. Your involvement with advances was as chairman of the committee to which group advances in excess of 1 million in the case of a new advance and in excess of 2 million in the case of new advances.

A. Correct.

Q. You were aware that Charles Haughey was a customer at the bank but you were not aware of the extent of his liability. You don't remember having any direct involvement with the account but that would not be surprising because day-to-day responsibilities of banking operations at this period vested in the banking executives in accordance with an established management structure.

You say that you would have had confidence in the ability of the members of management charged with the responsibility for the account.

You say that you had no prior knowledge about the arrangement reached on settlement, and you cannot say that you even remember its terms, if, in fact, you became aware of them.

You say that you have no recollection whatever of the statement issued by the bank at the end of January 1983, and that you have no involvement in it.

A. Correct.

Q. Now, if I could just go back to 1981. In 1981 you retired as group managing director, is that right?

A. Yes.

Q. So that in 1979 and 1980, you were group managing director?

A. Correct.

Q. You had an executive position and a seat on the board.

A. Correct.

Q. Again with a view to placing you in terms of the bank's hierarchy, as the group managing director, were you the senior executive with responsibility for the entire group, including the elements of the group we've mentioned a moment ago in evidence of other people including Mr. Fitzpatrick who was, I think, the chief executive of Allied Irish Banks, is that right?

A. Perhaps I should say that my responsibility was described rather as a light over head, this was quoted at the time I was retiring and being succeeded by Mr. O'Keefe, light over head operating on a consensus basis through the group chief executive committee and my successor, Mr. O'Keefe, was to have a new operational role totally distinct from mine. Mine was an overall trying to keep the three children, if you like, in line.

Q. The three new elements of what became Allied Irish Banks, or do you mean the three elements of the banking operation?

A. Yes, of the three of the Allied Irish Banks bank per se, Allied Irish Investment Bank, and Allied Irish Finance Company. It's a lot in themselves, quite substantial organisations.

Q. And those responsibilities, needless to say, did not bring you into contact with the advances of individual customers on a day-by-day basis?

A. No.

Q. Though you would have had some involvement as chairman of the advances committee in the case of large advances?

A. Correct.

Q. And you say that you have no you certainly had no knowledge of the extent of Mr. Haughey's indebtedness during the time that he was a customer of the bank?

A. No.

Q. And you had no knowledge of the detail of the settlement of his liabilities, is that right?

A. No.

Q. Did you have any knowledge of the fact of the settlement of his liabilities?

A. The only recollection I have, and speaking on a recollection, is hearing around about sometime after that, that Guinness & Mahon had taken over the account and I must say that the general feeling was one of considerable

relief.

Q. I see. As a member of the board, you say, and indeed as a number of other directors giving evidence have said, you left day-to-day operational decisions to the executives?

A. Correct.

Q. In the ordinary way, members of the board, unless they had executive responsibilities in those areas, would not get involved in day-to-day operational matters?

A. Correct.

Q. Now, the settlement in this case certainly involved Mr. Paddy O'Keefe who was a member of the board but who of course had certain executive responsibilities as the most senior executive in this area, would that be right?

A. Yes, he was banking director previous to becoming deputy chief executive.

Q. Now, Mr. Crowley also appears to have had an involvement in achieving this settlement of Mr. Haughey's liabilities, were you aware of that?

A. That is I certainly had no information of that, until this very this Tribunal was hearing and reading about it.

Q. So it would appear that two members of the board were quite significantly involved in bringing about the settlement.

A. So it would seem.

Q. Although no other member of the board was informed of their involvement at that time.

A. To the best of my information.

Q. Or subsequently?

A. I certainly cannot recollect.

Q. Was that in some way unusual that two directors, perhaps one of them an executive director, but one certainly not an executive director, indeed the ultimate referee, the chairman, became involved with one customer of the bank, was that something you found unusual when you learned of it?

A. I would imagine it was unusual.

Q. And knowing as you now know that Mr. Haughey's indebtedness of over a million pounds, which was very was certainly must have been one of the largest borrowings the bank had in terms of personal as opposed to commercial borrowing at that time

A. Certainly personal borrowing, yes.

Q. Did it surprise you when you learned of the amount of the indebtedness and when you subsequently learned of the involvement of two directors that this matter was not formally notified to the board?

A. Not really. After all, the management of advances, the control of that was in the hands of, first, the branch manager, there was a chain of command, and up to, in this case, a banking director, and there wasn't there was sufficient, I think, as I've since ascertained, sufficient in the suspense account to cover any deficiency in the settlement. And I think, actually, I've heard subsequently that there was may have been some modicum, quite small,

taken into profits. So there wasn't a specific write-off,
a debit of profits.

Q. The bank didn't get the money it was owed though, is that correct?

A. It did not.

Q. And the customer got off without having to pay about
œ400,000 of it.

A. Well, if you I'm not quite sure of the figure.

Q. There or thereabouts, maybe 390?

A. Yeah.

Q. And that customer had made it clear to the bank that he was
going to be a difficult customer.

A. So

Q. You've since learned, of course?

A. Of course. Of course.

Q. The only suggestion I'm making to you is that certainly as
a layman, I find it strange that you had a customer with
immense power as the prime minister in a situation like
that, I'm suggesting that I certainly would find it strange
and I think in general members of the public would find it
strange that that wouldn't have come to the notice of the
board formally when two members of the board were
intimately involved with settling it.

A. All I can say is that I have no recollection of it going
before the board.

Q. I'm assuming that was the case.

A. It may well have been mentioned, but I have no

recollection. Did someone mention that it wasn't minuted?

Q. Yes. In fairness, I think there's one director who believes it may have been or a number of directors believe it may have been mentioned as something that had happened, something historic, if you like, that we have settled the indebtedness. I know that Professor Lynch thought it had been mentioned to him, but not formally, but there's another witness who may say that he recalls some formal mention of it. All I'm suggesting to you is that it's surprising that it wasn't mentioned more formally at the board. You can agree or disagree with me. I'm just interested in your view.

A. I would not be I would not be surprised.

Q. Do you think a member of the public would be surprised that something as important of this

A. The experience of trying to collect bad debts as some bankers have.

Q. Thanks very much.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHERIDAN:

Q. Just briefly, Mr. McGlynn, in relation to the size of the indebtedness, there was no reason why it should come before the board?

A. Correct. Correct.

CHAIRMAN: Thanks very much, Mr. McGlynn.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Mr. Joseph Carr.

JOSEPH CARR, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY

MR. COUGHLAN:

Q. Mr. Carr, thank you. Do you have your statement?

A. I have, indeed.

Q. Mr. Carr, I think that you've informed the Tribunal that on the 1st of January of 1977, you were co-opted to the board of Allied Irish Banks.

A. That's correct.

Q. That you've had, since the 3rd of March 1970, been a member of the Dublin local board and have been a director of the Munster and Leinster Bank Limited from June of 1967.

A. That's correct.

Q. You ceased to be a member of the main board of AIB on the 23rd of May 1984.

A. Correct.

Q. Now, I think you've informed the Tribunal that the actual dates were given to you by the group.

A. By the group board, I presume they were.

Q. Yes. You mention your age in the statement.

A. So that you wouldn't think my memory would be too good.

Q. I think you informed the Tribunal do you have any objection to your age being mentioned?

A. Not at all.

Q. I think you informed the Tribunal you're now 77 years of

age; is that correct?

A. That's correct.

Q. You have to say that your recollection of the accounts at issue is vague.

A. It's 30 years ago. That's a long time.

Q. I appreciate that. But that you believe that you have a recollection of reports being made from the executive to the main board.

A. I would imagine I think the local board would be in charge of that particular case.

Q. And that's why perhaps but and you believe that it also may have been discussed at the local the Dublin local board?

A. Oh, yes.

Q. Well, I think that there has been evidence that and there is a document which has been stamped by the Dublin local board, so you would have been present at the Dublin local board meetings as well?

A. I would, yes.

Q. But do you ever remember the matter of Mr. Haughey's accounts being brought up in any sort of formal way by executives at the main board?

A. I don't think so. I'd imagine it would be a local board decision.

Q. And that anything that main board members may have mentioned would have been informally and of a general nature?

A. In general talk, I'd say.

Q. Now, were you yourself aware of the settlement of the indebtedness in its specific terms at any stage?

A. No, that would be left to the executive to do the job.

Q. In general, did you know that the account had been settled?

A. Yes.

Q. You have no involvement anyway in that?

A. Except on being on the board.

Q. Except your position on the board.

Now, I think what I wanted to ask you about, and you've dealt with in your statement, is that you've been shown a handwritten note, is that correct?

A. I have, yes.

Q. Which you were told was in the handwriting of the late Mr. Richard Barrow?

A. Yes.

Q. Do you have the note with you? It's on the screen now.

And the note seems to be of a telephone call which Mr. Barrow had with Jim Denver, the area general manager, AIB, to the effect that you, being a director of Friends Provident, had made inquiries from that property as to whether they were interested in sale and lease-back transactions of land. I think this relates to a particular proposal that was being discussed at one stage about the settlement of Mr. Haughey's indebtedness and how it might have been structured.

A. That would be quite right, yes.

Q. I think you've informed the Tribunal that you had apparently indicated to Mr. Denver that the institution might be interested in the institution, that's Friends Provident, might be interested in the sale and lease-back transactions always assuming that the proposition was right.

A. That was their business, yes.

Q. Now, I think you say that you cannot say that you have any exact recollection of making this inquiry, but it would not be surprising if you had done so.

A. It would be par for the course.

Q. Mr. Denver or somebody at that level had asked you

A. Mr. Denver and myself were very great friends. I'm sure we talked about.

Q. If he had asked you might Friends Provident be interested in doing a sale and lease-back, you would have made a general inquiry?

A. Yes.

Q. That decision could only be taken by Friends Provident in the circumstances of the specifics being eventually put to them

A. I would only introduce them.

Q. And I think you informed the Tribunal that a company such as Friends Provident would in the normal course of its business be potentially interested in sale and lease-back transactions and it appears to you that your inquiry would

have been no more than an effort to raise, in principle,
the possibility of such a transaction?

A. That's right.

Q. And I think it was in the context of what you've informed
the Tribunal it appears that the bank were putting pressure
on Mr. Haughey to reduce his indebtedness by a sale of land
and a sale and lease-back transaction might be a way of
proceeding?

A. Yes.

Q. And I think you've informed the Tribunal, as is apparent
from the note where the possibility of such a transaction
to be investigated the possibility of such a transaction
be investigated further, it would be a matter for the bank
to decide whether it should be further explored and that,
in summary, any inquiries made by you along the lines
indicated in Mr. Barrow's note would have been normal
inquiries of a proper nature.

A. Absolutely.

Q. We have been through this particular note before and can we
take did that whilst you have no specific recollection, I
take it, of course inquiry being made; is that correct?

A. I'm quite sure it would be right. I expect it to be right.

Q. You'd expect the note to be right, but do you yourself have
any specific recollection?

A. Not really.

Q. But if the note is correct, that any inquiry you would have
made would have been of a purely general nature?

A. Oh, yes.

Q. And things didn't seem to progress any further anyway, as far as we can see.

A. Could you repeat that, please?

Q. Things didn't seem to progress any further in any event in relation to any sale or lease-back.

A. I don't think they did in actual fact.

Q. Thank you.

CHAIRMAN: Thank you for coming, Mr. Carr. I'd say the hardest part of the evidence was your age.

A. Thank you.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. Charles Grayston.

CHARLES GRAYSTON, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY MR. HEALY:

Q. I see you have a copy, a letter in front of you and that's a copy of your statement?

A. It is, yes.

Q. In your statement you say that you commenced your career in the Munster and Leinster Bank in 1943; that subsequently you were involved in the formation of the Hire Purchase Company of Ireland Limited, which later became Allied Irish Finance Company Limited. You say that you were the general manager of Allied Irish Finance Company Limited and that that was your day-to-day responsibility. As a senior

executive of one of the subsidiaries of Allied Irish Banks,

you joined the board on the 31st of December 1992

A. 1972.

Q. And you retired on the 30th of April 1984. And you say that you'll be 74 years of age in June.

A. That's correct.

Q. You go on to say that it is important to note that Allied Irish Finance Company Limited was a separate company and had a separate banking licence from that held by Allied Irish Banks Limited. As a director, you attended AIB meetings and generally attended the board advances committee which met weekly and dealt with applications for large advances. You say that you became aware that Mr. Charles Haughey had an account with AIB at Dame Street and that it was a troublesome account. You say that you heard this in a general conversation with Mr. Tom Fitzgerald who had been manager at Dame Street.

You say you do not recall any other talk or discussion about the account, nor was it raised to the best of your recollection at the board or board advances committee until such time as the question of settlement was raised at an AIB board meeting.

You say you're not aware of the date on which this happened, but from the copy of the letter of the 24th of January 1980 from the bank to Mr. Haughey, which has been shown to you, and this is the letter we've mentioned here a

number of times it's the settlement letter, is that

right?

A. Yes.

Q. It must have been taken place in or around that time.

You say that you were around the impression that the settlement offer came to the board for approval, and you say that you've been asked if it was possible that what came to the board was a report of a settlement which had already occurred. Your recollection is, as you've indicated, but you cannot say for certain that it was not such a report.

If I could just clarify that. Your recollection then is that someone brought to the board the settlement proposal, is that right?

A. Settlement offer. My recollection is that the or was that the settlement offer was brought to the board for consideration and for ratification or otherwise.

Q. When you say for consideration or for ratification, you're simply repeating what's in your statement, that it may have come for consideration or it may have come after it had been achieved for ratification.

A. I'm not sure which. One or the other.

Q. I see. You go on to say that you recall one director inquiring at that meeting as to the amount of the reduction afforded Mr. Haughey, and you recall thinking that the answer did not deal with the question asked.

I take it, therefore, that what you're referring to is the fact that one director asked how much was owed and how much was going to be paid or something

A. Asked how much reduction was afforded to Mr. Haughey.

Q. Yes. And when you say that the answer did not deal with the question

A. I meant that the figures were not given in that board meeting.

Q. Do you mean that no figures were given or that some figures were given but didn't provide a complete answer?

A. I don't think any figures were provided.

Q. I see. Does that mean that the person to whom the question was addressed said I'm not giving you the details or that

A. I'm quite sure he didn't do it to that fashion, but skirted around and vaguely answered the question.

Q. That's what I'm trying to drive at. There was some vague answer given which didn't in fact provide an answer to the question, is that it?

A. Exactly.

Q. I see. You go on to say: "I have no recollection whatsoever of either the story published in the Evening Press on the 31st January 1983 or the statement which I'm told appeared in the Evening Press on the 1st February 1983. I do not believe that the statement came to the board." And you say that you can not recollect any

discussion about the press report.

You go on to say that you have no other knowledge of the operation of Mr. Haughey's bank account and you do not know of any proposals put forward by him to clear his indebtedness to the bank or of the bank's responses to those queries, and you have no knowledge of any applications by Mr. Haughey for further advances in the period for 1975 to 1979.

In relation to what came before the board, do you recall the context in which it came before the board? What I mean by that is that was it, that the matter came up for the purpose of discussing Mr. Haughey's indebtedness or was it the question of general bad debts or general doubtful debts which came up?

A. It came up in the context of Mr. Haughey's account.

Q. I see. And who was presenting the settlement, as it were, for approval or ratification?

A. As far as I could tell, it was Mr. Paddy O'Keefe.

Q. And was there a vote on it or simply was it a case of the board being informed so they could decide whether to vote on it or take any action on it?

A. I don't remember the tenor of the discussion, but I got the impression that the board felt that it was best for the bank to accept this offer.

Q. Even though one board member clearly wished to know a bit more about it but couldn't get an answer?

A. Exactly.

Q. So the board didn't actually know the figures at that time?

A. No.

Q. And certainly the executives weren't going out of their way to

A. Exactly.

Q. to let you know what the figures were?

A. Exactly.

Q. Would that seem to suggest that the executives were not totally confident in how commercial the settlement was?

A. I wouldn't agree with you there. I think they were quite satisfied to get rid of it.

Q. They weren't totally satisfied to let the board know the full facts and figures?

A. I don't know the reasoning behind that, but that's what really happened.

Q. I appreciate that's what happened, I'm simply trying to explore the way the meeting went.

Certainly the board, or you yourself or any other member of the board who formed the view that the settlement was commercially justifiable, one couldn't have done so on the basis of any specific knowledge of the amounts involved?

A. Exactly.

Q. You could only have done so on the basis that you assumed executives were doing their job?

A. Exactly.

Q. That's not necessarily the way the board should approach everything, is that right?

A. Not necessarily.

Q. Would there be any or would you share in any way Dr. Devlin's view that the board may have been just as happy to have nothing whatsoever to do with this than to see it out the door of that bank as quickly as possible?

A. I must say I couldn't agree with that. I never had that impression.

Q. You yourself knew nothing about the details of this?

A. I didn't know the figures at all.

Q. And until this Tribunal brought the figures to your attention, you had no idea whether it was a commercially justifiable settlement or not?

A. You could say that.

Q. Do you remember which member of the board asked the question which

A. Mr. Christopher Aliaga Kelly.

Q. Is he still alive or deceased?

A. He died recently.

Q. To whom did he direct that question?

A. I assume to the chairman or chief executive who was presenting the case.

Q. I presume questions were are the meetings conducted formally in the sense of questions being put through the chairman or were they put to

A. Generally through the chair.

Q. And the chair would have been Mr. Crowley?

A. Mr. Crowley.

Q. Were you aware that were you aware at that time that Mr. Crowley had himself been involved in the negotiation of the settlement?

A. I was not aware of that.

Q. Are you in any way surprised that the chairman was himself involved in negotiating with an individual customer of the bank?

A. Not in the circumstances of this particular customer, it didn't surprise me.

Q. It doesn't surprise you now that the prime minister was getting that sort of treatment the Taoiseach?

A. Was he Taoiseach at that time?

Q. Yes, he was Taoiseach at that time. Do you think the board were in any way disarmed by virtue of the fact the Taoiseach was involved in the settlement from not prying into the details of it?

A. It's difficult to say. I'm sure there's some possibility they had reservations about it.

Q. The indebtedness was extremely high, even in the context of the board's own jurisdiction, as it were, to decide on levels of indebtedness; it was very close to the board's jurisdiction, wasn't it?

A. The board of

Q. You were talking over a million pounds, it was a very large sum of money.

A. Well, it really wasn't coming up for review at that stage.

Q. I fully appreciate that, but the number was a very big one.

A. I think the figures have been mentioned here, funds being in suspense interest account which would reduce the net liability, much less.

Q. I fully accept that, Mr. Grayston, but I take it the bank are not in the habit of writing to all their customers to tell them they can have their debts cleared if they pay the non-suspense interest owed.

A. No.

Q. Thank you very much.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. SHERIDAN:

Q. Mr. Grayston, you heard some of the evidence as given by the other directors, that it was not the practice, in general, to discuss individual cases at the board.

A. That's correct.

Q. Do you agree with that?

A. Yes.

Q. So that to the extent that the details of this case were not gone into at the board, that would not be unusual?

A. Not unusual.

Q. And although at the very end of the indebtedness, were this to come to the board for fresh approval, it would just be over the figure of the board advances committee jurisdiction, rather than the actual board jurisdiction.

At the time it was not, in fact, a case which had been sanctioned by the within the limits of the board's sanction. It was a matter for lower authority.

A. That's correct.

Q. In the ordinary course.

A. Yes.

MR. HEALY: Arising out of that, Sir...

THE WITNESS WAS EXAMINED FURTHER AS FOLLOWS BY MR. HEALY:

Q. I just want to ask you about one of the questions you were asked by Mr. Sheridan just now. When you were asked whether it was unusual for individual customers to have their accounts dealt with at board level, and I quite accept that that wouldn't be common, but I want to draw to your attention a report of a minute of a board meeting which, in fact, has been circulating, Sir, of the 4th of March of 1980.

Do you see heading number 3, "Bad and Doubtful Debts"?

A. Yes.

Q. Now, I have a document here which I don't think I need to put up, but it is the attendance at an Allied Irish Banks board meeting of the 4th March of 1980, which is the board meeting of which you have a copy of a minute. And it's clear from the attendance that you were present at that board meeting along with Niall Crowley, Patrick Lynch, Declan Dwyer, Maurice Abrahamson, Sir Cecil Bateman, Thomas

Kavanagh, L. St. John Devlin, J. E. Fitzpatrick, J. J.

Fitzpatrick, Charles Grayston, C. Aliaga Kelly, Joseph

McGlynn, J. B. McGuckian, D. J. Murphy, M.J. Murphy, R. S.

Nesbitt, James O'Keefe, M.J. O'Keefe, Patrick O'Keefe.

It refers under "bad and doubtful debts" to the following:

"Following a brief report by Mr. P. O'Keefe, who I take it is Mr. Patrick O'Keefe, on a limited number of individual accounts, which were not in this category I have no idea whether this refers to Mr. Haughey's account, but clearly it does indicate that individual accounts were mentioned at board level.

A. Some accounts I suppose it would be inevitable that some accounts would.

Q. That's precisely my point, that individual and troublesome accounts or sensitive accounts could be discussed at board level.

A. Could well have been.

Q. Thanks very much.

THE WITNESS WAS EXAMINED FURTHER AS FOLLOWS BY MR.

SHERIDAN:

Q. I think my question was: Was it unusual to have the detail of individual accounts discussed at the board? There's no indication, Mr. Grayston, is there, from that extract, as to what level of detail Mr. O'Keefe went into in relation to those individual accounts? There may have been reports as oblique as you recall of Mr. Haughey?

A. They don't mention figures or people in this report.

CHAIRMAN: Thank you very much, Mr. Grayston. Thank you.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Those are the witnesses for today, Sir, and

I think there will be I think one short witness in the morning. And then the Tribunal would intend adjourning until Tuesday to take up some further evidence.

CHAIRMAN: Obviously, Mr. Coughlan, is it preferable that if it's only to be a short sitting, that that witness tomorrow might not be deferred until Tuesday in ease of everybody.

MR. SHERIDAN: He's travelling from the north of Ireland, Sir, and he has difficulty over the next three weeks apart from tomorrow. So arrangements for him to travel have already been made. I'm not sure that it's a matter for the Tribunal team, obviously, as to whether his evidence is required.

MR. MCGONIGAL: Mr. Chairman, I'd like to ask who the witness is, the purpose of his evidence, and whether we have a statement or not.

MR. COUGHLAN: Mr. McGonigal hasn't got a statement or memorandum of information, he will get one. The witness is a board member. And we haven't the reason, if Mr. McGonigal would allow me address the Tribunal for a

moment, the reason why we haven't got a statement or memorandum is that we haven't been furnished with one ourselves yet.

MR. MCGONIGAL: Might I inquire, Mr. Chairman, whether he's to add anything other than what we already have from quite a number of the board members of Allied Irish Banks?

MR. COUGHLAN: The Tribunal

MR. MCGONIGAL: If he doesn't, then I don't see the necessity for calling him.

CHAIRMAN: Well I am certainly not upholding any objection on Mr. McGonigal's behalf in that context, Mr. Coughlan. I'm just concerned that whether, from the overall Tribunal logistics, a sitting which is presumably going to be confined to 15 minutes, is whilst I don't want to significantly inconvenience the witness if it is, as I anticipate the case, that we'll have some reasonably substantial day on Tuesday next with the balance of what might be called the Celtic Helicopters/Carlisle payments aspect. It only occurs to me, gentlemen, that it might be an aspect to be considered as to whether or not the particular Northern-based witness could be inconvenienced by being incorporated in next week's sittings.

MR. COUGHLAN: I have no difficulty. I was attempting to facilitate Mr. Sheridan and the bank in that regard. It's

Mr. Sheridan who has informed me of the difficulty.

MR. McGONIGAL: Might I suggest that if we could be furnished with a statement, we might be able to determine whether it was even necessary to call Mr. McLoughlin.

MR. SHERIDAN: We can certainly furnish the statement this evening, Sir.

CHAIRMAN: Yes. Is there any merit in that, Mr. Coughlan?

MR. COUGHLAN: Of what, Sir?

CHAIRMAN: If the statement were to be furnished, that plainly, if it were the case that there were no contests in the witness's evidence at all, that it may be inconvenient to set aside an entire day.

MR. COUGHLAN: If Mr. Sheridan could indicate that this witness could make himself available on Tuesday. I don't have control over this witness. If Mr. Sheridan could indicate that, and if we could be furnished with a statement as well.

CHAIRMAN: Well, I'm not sublimating the question of costs from the overall Tribunal's management, Mr. Sheridan. But I am concerned that obviously there is considerable public outlay in getting a transcript for each individual day and that if we're all going to be assembling for what's only going to be some 15 minutes or thereabouts at most, it may be worth inquiring as to whether the witness could

conceivably so adjust his plans to come at some time that might be convenient to him next week.

MR. SHERIDAN: Absolutely, Sir. The bank is purely putting forward those witnesses, Sir, that the Tribunal wishes to hear.

CHAIRMAN: I appreciate, Mr. Sheridan, you've gone to considerable trouble to make witnesses available today and I'm only trying to convenience everybody in this. Does it seem, for the moment, gentlemen, that I ought to consider provisionally trying to defer the Northern witness's evidence until next week?

MR. COUGHLAN: Yes.

CHAIRMAN: Very good. Then in those circumstances, we will resume the final period of this tranche of Tribunal sittings on Tuesday next at half past ten.

THE TRIBUNAL THEN ADJOURNED UNTIL TUESDAY, 9TH MARCH 1999
AT 10.30AM.