

**Introductory statement by**

**Jerry Beades, Chairman Friends of Banking Ireland,**

**to the Oireachtas Joint Committee on Finance, Public Expenditure  
& Reform, and Taoiseach.**

**Thursday 26th January 2017**

Chairman John McGuinness T.D. and fellow Committee members, on behalf of Friends of Banking Ireland I would like to thank you all for your kind invitation to update your Committee.

## **Friends of Banking Ireland**

My name is Jerry Beades, Chairman Friends of Banking Ireland. I've worked all my life in construction, engineering and property. Currently I am CEO of JMCI QATAR an Engineering and Specialist construction firm operating in Doha, Qatar on Rail and Stadium Projects for the 2022 World Cup.

I'm joined by Brian Reilly an associate of Friends of Banking Ireland and someone who has suffered financially as an SME and as a customer of certain financial intuitions.

Brian is an experienced company director with a background in printing and logistics, including the not-for-profit provision of social housing projects in North County Dublin in the 1970s.

Brian co-founded Right2Homes in 2015 to provide a fundraising and advocacy platform for a Constitutional Challenge to the Land & Conveyance Law Reform Act 2013 (the so-called 'Eviction Bill') which retrospectively gives banks the weaponry they need to seek repossession of family homes via summary proceedings in the Courts.

Friends of Banking Ireland was first established in July 2006, to highlight the abject failures in the Irish banking system and the corresponding failure of regulatory oversight. This has already been covered in detail by the Banking Inquiry and we do not propose to examine the same area covered by that inquiry.

This is the third time for Friends of Banking Ireland to be before an Oireachtas Committee. As a result of the initial campaigning work, Friends of Banking Ireland presented to the Oireachtas Committee of Economic and Regulatory Affairs on 13th May 2008. We returned on 16th September 2009 at which we discussed the meltdown in the financial services sector.

Issues covered centred on the 'light touch' approach by the financial regulatory and supervisory agencies, here in Ireland. In the past year, I began to see the exact same patterns emerge in the European and International financial system, as existed prior to the global financial and property market collapse, which I will come back to.

In the period since 2006 Friends of Banking Ireland have worked with a huge number of Oireachtas members on cases that they felt could not be progressed through the Central Bank or the Financial Regulator.

## **Devastating Impact of Reckless Lending and the Failure of Regulation**

In the summer of 2006 I was the first person in Ireland to publicly and explicitly call for the resignation of the former Financial Regulator Mr. Patrick Neary. I referred to him as 'the dog that didn't bark'. This was nothing personal. I did so, on the basis of his abject failure to question or query the criminally reckless activities of some of the financial institutions that his office was meant to regulate.

## **Family Home & Family Farm Evictions**

Over the weekend the Free Legal Advice Centre (FLAC) warned that 2017 may be the year of housing repossessions unless dramatic actions is taken to assist mortgage borrowers who are in distress. When added to the scale of the repossessions planned for family farms and small businesses, we are not in a position to ***'Keep the Recovery Going'*** and instead facing into a humanitarian crisis.

With others I was very active in challenging auctions of family homes and farms where there were disputes ongoing. Today I am pleased to say that a code of conduct now exists to ensure that no home or farm will go up for auction, if there is a dispute ongoing.

What has happened since 2006 is like something from a horror movie. In 2008 at the height of the financial crisis, in documents that can now be viewed online, proposals were put by the late Brian Lenihan T.D., then

Minister for Finance, to have a 30-50% haircut on mortgage debt. This was to be in parallel with the bank bailout.

Official Ireland got its way and this wasn't even countenanced. Fast forward almost 10 years and we know that the former Secretary General of the Department of Finance, John Moran, was thrilled to welcome in the vulture funds as outlined in the excellent RTE Documentary, ***The Great Irish Sell Off.***

These vulture funds have picked up over €200 billion worth of loans, secured against underlying assets at 5% to 20% of the market price. Again the state is losing out. As the asset is not for sale, only the loan, there is no stamp duty and no gain for the Irish state. The whole set up is a scam.

What follows next is the vulture fund calls in the loan, seeks to take charge of the asset which has been used as security. They then send in their security men, smash doors, change locks and usually under the cover of darkness.

Meanwhile SME type builders, who want to get back to work, are being crippled with funding of up to 15% and you wonder why very few homes are being built. The banks are laughing at us - because as politicians you are slapping them on the wrist for ripping people off with tracker mortgages, when the bigger financial scandals are being glossed over.

## **Potential Conflict of Interests for Judiciary**

Any citizen is able to visit the Oireachtas website and read the Register of Interests of members of the Oireachtas, as set out in the Ethics in Public Office Acts, 1995 & 2001. This also applies to elected Councillors and MEPs.

The Irish Judiciary make decisions every day about NAMA, Banks, Receiverships and Liquidation, Home Repossessions and Evictions, yet the view from the Four Courts is that citizens have no right to know if a Judge has a potential commercial or personal conflict of interest. Questions have arisen in relation to such conflicts.

The scale of the repossession orders and judgements that are currently favourable to the larger banks and financial institutions is a matter, I believe, that will be the subject of public inquiries in the coming years. It is in the interest of the Judiciary also to ensure that, just like politicians they have a transparent and ethical public declaration of their interests.

## Traditional Banking in Ireland is Dead

The current model of banking is broken and not just in Ireland. If it were not for Private Equity, Venture Capital, Peer to Peer Lending and together with the Credit Unions, day to day commerce for hundreds of thousands of small businesses would have effectively ceased.

We know that your Committee has had engagement with Gerry Mallon (CEO Ulster Bank Ireland), Bernard Byrne (CEO Allied Irish Bank), Jeremy Masding (CEO Permanent TSB), Richie Boucher (CEO Bank of Ireland). You have also heard presentations from Philip Lane (Governor of the Central Bank) and Derek Moran (Secretary General Department of Finance).

Their respective presentations were really nothing more than a polite box ticking exercise to say that they have engaged with the Oireachtas. It wasn't meaningful engagement.

The Governor of the Central Bank was at pains to tell this committee before Christmas that you don't need to be concerned. He said ***“the banks are more resilient and the supervisory regime much more robust compared with the pre-2008 period. Nonetheless, the Central Bank needs to maintain its vigilance.”***

He went on to say, ***“Compared with the pre-crisis situation, the domestic banking sector is now slimmed down.”***

If ever there was an award for understatement of the year, he should get it.

## **Unaccountable and Unelected**

In April 2013, President Michael D Higgins addressed the European Parliament in Strasbourg. He said and I quote:

*“European citizens are suffering the consequences of actions and opinions of bodies such as rating agencies, which, unlike Parliaments, are unaccountable.”*

If we substitute the words “rating agencies” from this quote and insert “financial institutions and Central Banks.” It would now read:

*“European citizens are suffering the consequences of actions and opinions of bodies such as Financial Institutions and Central Banks, which, unlike Parliaments are accountable.”*

Every single member of this Committee has been elected through elections to Dáil and Seanad Éireann and I know you are hugely conscious of just how accountable you are to your electorate. It is always a political or publicity stunt to take a cheap shot at our elected Parliamentarians and there are enough people who never miss an opportunity to kick our elected politicians, rather than engage with them to try to influence change. To lay the blame at politicians only lets these unelected and unaccountable organisations off the hook.

There is however a deep malaise in how these institutions operate and it appears to us as an advocacy group, that those that we pay to regulate them do not aggressively pursue these financial institutions properly.



## **Absence of Regulation at Central Bank and European Central Bank**

I have circulated a copy of a very detailed letter sent to Minister for Finance Michael Noonan T.D. last year, copied to every member of the Oireachtas. It relates to legal proceedings initiated in the High Court in Dublin to ensure that the European Central Bank and the respective national Central Bank Governors actually regulate the risky lending associated with oil exploration.

In that letter I said, ***“Replace the words property market with the word oil and we are watching an exact replica of the global financial crisis that collapsed banks, bankrupted countries, destroyed families and in many cases, ended lives.”***

***“What is happening is an exact replica of the Subprime debacle that started in the United States and eventually engulfed the European banking system. In order to keep lending off their balance sheets, US institutions relied extensively on a lending process called the ‘originate-to-distribute model’, which fueled the subprime mortgage crisis.”***

## **Conclusion**

The interaction by this Committee with the Governor of the Central Bank before Christmas was almost like a slapstick comedy. Members, including the Chairman, effectively forced the Governor and his officials to admit to the scale of the scandal of the tracker mortgages issues.

In answer to the question has anything been learned over the past decade, it is clear that the Regulators and those we pay to supervise financial institutions are still unwilling, and perhaps unable, to sanction and regulate the banking and financial services sector.

Finally, we are staring into a humanitarian crisis involving repossessions and homelessness resulting from the abuse of policy.