

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 11 Nollaig 2014

Thursday, 11 December 2014

The Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Áine Collins,	Deputy Gabrielle McFadden,
Deputy Paul J. Connaughton,	Deputy Derek Nolan,
Deputy Joe Costello,	Deputy Patrick O'Donovan,
Deputy John Deasy,	Deputy John Perry,
Deputy Robert Dowds,	Deputy Shane Ross.
Deputy Mary Lou McDonald,	

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

ELECTION OF VICE CHAIRMAN

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Election of Vice Chairman

Deputy Paul J. Connaughton: I propose Deputy John Deasy.

Deputy Robert Dowds: I second that.

Chairman: Is that agreed? Agreed.

Business of Committee

Chairman: Are the minutes agreed? Agreed. Are there any matters arising from the minutes? No. We will now deal with correspondence from Accounting Officers and Ministers. No. 3A.1 is correspondence dated 3 December from Mr. Tom Moran, Secretary General, Department of Agriculture, Food and the Marine, which is a follow-up to the committee's meeting on 16 October 2014, to be noted and published. I will ask the clerk to prepare a report to the Dáil on the evidence taken in respect of the fishery harbours.

No. 3A.2 is correspondence dated 1 December from Mr. Jim Breslin, Secretary General, Department of Health, which is a follow-up to our meeting on 23 October 2014, to be noted and published.

No. 3A.3 is correspondence dated 5 December from Mr. Noel Waters, acting Secretary General, Department of Justice and Equality, which is a follow-up to our meeting on 20 November 2014, to be noted and published. The committee at its meeting with the Courts Service had already agreed to make a number of recommendations on the ward of courts issue and we will proceed to draft a report on this.

No. 3A.4 is correspondence dated 5 December from the Minister for Jobs, Enterprise and Innovation, Deputy Richard Bruton, regarding a follow-up from a meeting on 4 December 2014, to be noted and published. This issue relates to the dossier of information supplied to individual members and there is related correspondence on this from Arthur Cox. We had asked the Minister to refer the dossier to Revenue, but the position is that the Minister does not have this dossier. There has been a bit of a mix-up in terms of the information members received for their private papers and what was received by the Minister. This matter has been cleared up with the Minister and we have written back accordingly. There are legal impediments to him handing over the papers, or not having them in fact.

No. 3A.5 is correspondence dated 8 December from Arthur Cox solicitors in respect of a dossier regarding an Ansbacher account, to be noted. The position as outlined last week is that the dossier of information is not a committee document and therefore we cannot accede to the request from the solicitors acting for Mr. MacSharry. A draft letter, which is now on screen, will issue to Arthur Cox solicitors today. It is the same as the reply we agreed with regard to Mrs. Ann Lenihan. We do not have the papers and they are not committee papers. They are the personal papers of the individual members of the Dáil. Therefore it is not a matter for us. Other references in the correspondence have to do with a Member raising the names in the House. This is a matter for the Ceann Comhairle and the Member and not for us. We need to be a bit

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clearer on what happened afterwards, perhaps a paragraph of explanation of the committee's role in the matter.

Clerk to the Committee: We can do that.

Chairman: No. 3B.1 is correspondence dated 4 December from Mr. Seán Ó Foghlú, Secretary General of the Department of Education and Skills, re issues between UCC and Midland Construction. This is to be noted. Did Deputy Deasy raise this matter?

Deputy John Deasy: Could the clerk tell me what the gist of it is?

Clerk to the Committee: It reaffirms the position as regards whom the contract was with and the fact that, after considering how to pay the subcontractor, the Department cannot do it. The Department has pointed to next year's forthcoming Bill, but the problem there is that its provisions will not be retrospective.

Deputy John Deasy: It will not be retrospective.

Clerk to the Committee: No, that has not been stated. Rather, it will be a matter for the Department of Jobs, Enterprise and Innovation. In that context, I can refer the letter to the Department and ask it to consider the matter.

Deputy John Deasy: One wonders how many cases like this one are outstanding. The number and the amounts of money involved might be reasonably small. Retrospective legislation is not something that the Oireachtas embraces.

Clerk to the Committee: No.

Deputy John Deasy: However, there is a question of fairness. We could make a case.

Clerk to the Committee: Okay.

Chairman: Due to the fact that there is pending legislation, perhaps its spirit should be cognisant of this case.

Deputy John Deasy: Yes.

Mr. Seamus McCarthy: According to the letter, it is the Construction Contracts Act 2013, which has already passed.

Deputy John Deasy: So it has passed.

Clerk to the Committee: It has commenced. My apologies.

Chairman: In line with the spirit of that legislation, perhaps we could ask the Department or whoever to re-examine the matter.

Clerk to the Committee: Yes.

Deputy John Deasy: Fair enough.

Chairman: No. 3B.2 is correspondence from Mr. William Treacy. This is an ongoing matter of which members are aware. The correspondence is to be noted.

Moving on to correspondence relevant to today's meeting, correspondence received 5 De-

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gement from Mr. John Doyle, CEO of ReBo, re briefing statement is to be noted and published.

No. 3C.2 is correspondence from the Central Bank re briefing statement at today's meeting, to be noted and published.

No. 3C.3 is correspondence received 9 December from Mr. John Doyle re ReBo opening statement, to be noted and published.

The final item is in regard to the Central Bank's opening statement.

Moving on to reports, statements and accounts received since our meeting of 4 December, the Credit Union Restructuring Board, Tourism Ireland and the Office of An Coimisinéir Teanga have all received clear audit opinions. These accounts are to be noted.

Our work programme is on the screen. Is it agreed?

Deputy Joe Costello: I have no problem with the work programme. Did we cover the item that came from Mr. Jim Breslin, Secretary General of the Department of Health, regarding the national paediatric hospital and the further information on same?

Chairman: It was an item of correspondence.

Deputy Joe Costello: Yes. I am sorry if I missed it. I suggest that the correspondence is inadequate and does not fully provide the information that was requested. The information that has come to us has come from the Department itself, but we also requested that the board send some information. While this correspondence relates to certain matters that were discussed, information on other issues was required in respect of the previous board and planning applications for the original hospital on the Mater site, but there is no reference whatsoever to those. This correspondence was received by the secretariat on 1 December. Without going into detail, I suggest that we refer to the request and ask for fuller information. There are gaping holes in what was sent.

Clerk to the Committee: That is only part of the answer. A reply is due back from the paediatric board as well. I will follow up with the Deputy after the meeting, but a fuller answer is due from the board.

Deputy Paul Connaughton: Bord na gCon attended our meeting a number of weeks ago. We asked for additional information. Has anything been received?

Clerk to the Committee: No.

Deputy Paul J. Connaughton: Would it be possible to follow up on the matter?

Clerk to the Committee: No bother.

Deputy John Deasy: Reverting to the issue of UCC and Midland Construction, it was live while the legislation was being drafted and passing through the Oireachtas. As the issue has not been resolved, is it the case that the legislation does not apply retrospectively?

Clerk to the Committee: I am not sure.

Deputy John Deasy: Could we check?

Clerk to the Committee: I will check with the Department of Jobs, Enterprise and Innova-

tion.

Deputy John Deasy: The issue was live while the Act was a Bill. We also asked the IDA to attend the committee.

Chairman: And Enterprise Ireland.

Clerk to the Committee: Both are due in early next year on 12 February.

Chairman: Are there other comments on the work programme?

Deputy Mary Lou McDonald: I am reading the minutes of our meeting of 2 December, at which we dealt with a number of issues, including the dossier that we received from the whistleblower. We agreed a number of matters, including that there would be a review of evidence taken at the meeting of 4 December before establishing what to do next. To clarify, where does all of that sit and what do we propose to do next?

Chairman: We agreed at the meeting to do a number of things, one of which was to send a transcript, which I understand we did. Perhaps we should wait for a response, if there is to be one.

Deputy John Deasy: To whom did we send the transcript?

Chairman: Mr. Ryan. We had an exchange with Revenue on the matter. Where we go from here as regards Mr. Ryan is a matter for the committee, but we must wait for a response from him, if there is to be one. To date, we have had no contact whatsoever.

Clerk to the Committee: The transcript only went out to him this week.

Chairman: Is that okay?

Deputy Mary Lou McDonald: Perfect.

Chairman: We can revert to the issue next week and see what has happened.

In terms of the work programme, another week has gone by without a response from the Department of Education and Skills regarding the issues raised about the Cork Institute of Technology, CIT. Deputy Connaughton referred to the response from Bord na gCon. We should put both bodies on notice to the effect that, if we do not receive a reply by the end of this session, we will have a special meeting in January and ask them to return.

Horse Sport Ireland appeared before us. This morning, I received correspondence from an individual who read the transcript and raised serious issues with the evidence given at that meeting. I have not had a chance to circulate the correspondence, but I will give it to the clerk this morning. Arising from it, we should seek clarification from the Irish Sports Council about the issues that have been raised. A commitment was given to the effect that the chairman would make an intervention in a matter that was raised during our meeting. We should put the organisation on notice that if we do not get the responses required, there will have to be a special sitting to deal with those three matters in the new year; otherwise, we would not be completing our work and Departments or agencies coming before us would simply be putting the replies on the long finger, which is not acceptable.

Again on the work programme, next week NAMA will be before us. It was reported in *The Sunday Business Post* and raised in the Dáil yesterday that a lady has asked me to appear before

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the committee to explain her case. I will circulate the information on this to members. We are opening the chapter on NAMA next week and I honestly think it would be worthwhile to hear from this woman after that meeting. The matter relates to the business of NAMA and to how it is conducting its business. What I heard from the woman is compelling and I believe we have to hear it.

Deputy Robert Dowds: Does this relate to the case in south Tipperary?

Chairman: Yes.

Deputy Paul J. Connaughton: Would it be better to meet her before the meeting?

Chairman: We want to open the hearing with NAMA. One can hear the case before or after that. I am not recommending to the members someone who is not credible. The woman and the family have a very credible story to tell and it gives an insight into how NAMA conducts its business. It is important for the country and people dealing with NAMA that they understand how this is happening. If we can hear the story before the meeting, with the agreement of members, that is fine. However, I believe there is a need to hear this case.

Deputy Mary Lou McDonald: Is the Chairman inviting a decision by the committee on whether it should hear this person, and when?

Chairman: Yes.

Deputy Mary Lou McDonald: It strikes me that, given that next week's meeting is to be the last before the Christmas break-----

Chairman: Next week we are to hear from NAMA.

Deputy Mary Lou McDonald: -----it would be best if we were to hear the case before the presentation by NAMA.

Chairman: NAMA is not due to appear again for a while after next week. Our work programme is fairly full.

Deputy Mary Lou McDonald: I offer this as a proposition just to move things along.

Chairman: We have to be careful about this. I have spoken to the woman at length and I would not suggest the meeting to the committee if it were the wrong thing to do. If the lady wants to represent her family and put her case to the committee, she should be asked to do so. She is not making any direct allegations or naming people; she simply wants to explain the impact on her family, her farm and her life. Her husband took his own life because of this. The case is so compelling that I feel we should not let it go. I suggest that we hear the lady, perhaps in private session, next week and perhaps before the meeting with NAMA.

Deputy John Deasy: In my constituency I have come across a family in very similar circumstances so I agree.

Deputy Paul J. Connaughton: I do not doubt the sincerity of the case whatsoever and certainly have no issue with meeting the woman. However, would it become the norm for us to meet certain individuals before certain groups appear before us? I am not for one second-----

Chairman: I am working on the basis that when we dealt with procurement here, it was agreed the relevant group would be brought before the committee. It was unanimously agreed.

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We took a step in the direction of Sergeant Maurice McCabe and it was uncharted territory. We would not have had the information given to us as clearly if we had taken any other route or if we had not intervened. The story that this lady has to tell is shocking. It is shocking that an arm of the State would treat a family or individual like this. We should hear the story. Yes, it does open the gate but we have already set a precedent for this. I cannot understand another side of a story unless I hear it. If I am constantly going to be fed with one side of the argument, I am only going to take up that side of the argument.

Deputy Joe Costello: I agree we should hear the story. My only concern is that this will probably be a highly emotionally charged presentation because of the circumstances, which, as the Chairman suggested, are obviously very tragic. From that point of view, it might not be best to hear it immediately before NAMA. Would it be possible to hear it on the Tuesday rather than the Thursday so there would be a gap? It is an individual case and I am sure there may well be many others but, nevertheless, we are bringing in NAMA in relation to a variety of issues, including the report of the Comptroller and Auditor General. Therefore, I suggest that we separate the two.

Chairman: Okay. We can discuss this with the individual concerned and find out how she feels about it. We can proceed from there.

Deputy John Deasy: The other side of that, of course, is that one is landing immediately after the NAMA officials with what could be a very powerful testimony. They may actually need an opportunity to think about what they are going to say. That is sensible.

Chairman: I do not wish to burden the committee with too much but what Deputy Connaughton has raised is true in that the case in question must be borne in mind. I have been continually raising the issue of the special investigation unit in the Department of Agriculture, Food and the Marine and the fallout and cost to the State in relation to its work. It is difficult to get explanations about the cost because, in spite of the fact that cases have been lost and people have been threatened, or allegedly threatened, there is a serious cost to the State. When one proceeds to investigate with the Department of Agriculture, Food and the Marine, one is referred to the Chief State Solicitor's Office. There is evidence in relation to all of these cases coming forward directly to the members of the Committee of Public Accounts. I want to put members on notice that this information will be arriving to them in the future. However, we will see what transpires from our contact with Annette De Vere Hunt.

Since there are no other matters arising, we can move on to the business of today. We have agreed to hear from NAMA next week.

Credit Union Fund Accounts 2013; Credit Resolution Institution Fund Accounts 2013; and Credit Union Restructuring Board Accounts 2013

Mr. John Doyle (*Interim Chief Executive, Credit Union Restructuring Board*) called and examined.

Chairman: Before we begin our meeting on the credit union fund accounts 2013, the credit resolution institution fund accounts 2013 and the Credit Union Restructuring Board accounts 2013, I remind members, witnesses and people in the visitors gallery to turn off mobile telephones as they interfere with the sound quality and transmission of the meeting.

I advise witnesses that they are protected by absolute privilege in respect of their evidence to the committee. If they are directed by the committee to cease giving evidence on a particular matter and continue to do so, they will be entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the House, or an official by name or in such a way as to make him or her identifiable.

Members are reminded of the provisions within Standing Order 163 that a committee should also refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government, or the merits of the objectives of such policies.

I welcome Mr. John Doyle, CEO of the Credit Union Restructuring Board, ReBo, and ask him to introduce his officials.

Mr. John Doyle: I am the interim chief executive of the Credit Union Restructuring Board, ReBo. I am joined by Mr. Bobby McVeigh, chairman of ReBo, and Mr. Joe O'Toole, a director of ReBo.

Mr. Patrick Casey: I head up the special resolution unit in the Central Bank of Ireland and I am joined by my colleague, Mr. Fergal Power, who is the head of division for financial control and procurement in the Central Bank.

Mr. Ronan Hession: I am a principal officer in the financial services division in the Department of Finance.

Mr. Murray McCarter: I am responsible for credit unions at the Department of Finance.

Chairman: It is good to see Mr. O'Toole back in the House, at the other side of the exchange.

Mr. Joe O'Toole: It is good to be here.

Chairman: I ask Mr. McCarthy to introduce the accounts.

Mr. Seamus McCarthy: Each of the accounts before the committee this morning relates to a fund or body created since 2011 to facilitate the resolution of problems in credit institutions, and in particular, in the credit union sector. All three accounts for the period ending 31 December 2013 received clear audit opinions.

The Credit Institutions Resolution Fund was established in October 2011 to hold funds for use in resolving situations where a licensed credit institution becomes financially unstable, or where there is an imminent serious threat to its financial stability. The general statutory framework for dealing with such situations is set out in the Central Bank and Credit Institutions (Resolution) Act 2011, as amended. The fund is managed and accounted for by the Central Bank.

The primary source of funding for the Credit Institutions Resolution Fund was an advance of €250 million from the Central Fund of the Exchequer, made by the Minister for Finance in December 2011. The liability for repayment of this advance, and the related interest, is recognised on the fund's balance sheet.

Under the terms of the 2011 Act, the Minister also made regulations in September 2012

requiring authorised credit institutions to make periodic contributions to the fund. The income from such levies in 2013 amounted to €9.6 million. The total levied to the end of 2013 amounted to just over €12 million.

Up to the end of 2013, the fund had financially supported resolution action in relation to just one credit institution. This involved the transfer, following High Court approval in November 2013, of assets and liabilities of Newbridge Credit Union to Permanent TSB PLC. The credit union's premises in Newbridge were not included in the transfer, and remained with the liquidator of the credit union. Net proceeds from the disposal of the premises are payable to the fund.

As part of the formal agreement for the transfer, a cash incentive of €23 million was paid out of the fund to Permanent TSB. Together with other expenses, the total costs charged to the fund in relation to resolution of the financial difficulties in that credit union amounted to €25.57 million as at the end of 2013. However, Note 8 to the financial statements records that there are potential additional costs amounting to €28.3 million arising from the Newbridge agreement. The officials from the Central Bank will be able to provide the committee with an update on the costs of that and other resolution activities.

The credit union fund was established under the Credit Union and Co-operation with Overseas Regulators Act 2012, to provide a source of funding for activities related to the restructuring of credit unions. This includes provision of financial support for the stabilisation of credit unions, at the request of the Central Bank, and funding to meet the expenses of the Credit Union Restructuring Board.

Under the establishing legislation, the fund is administered and managed by the Minister for Finance. His Department prepares the account of the fund, which is in the form of a cash receipts and payments account, with a closing balance. The account before the committee today relates to the period from the establishment of the fund on 21 December 2012 to 31 December 2013.

Following its establishment, the fund received an initial contribution of €250 million from the Central Fund of the Exchequer in December 2012. The only payment made out of the fund in 2013 was an advance of €750,000 to the Credit Union Restructuring Board, to fund its activities.

The board was established on 1 January 2013 under section 42 of the 2012 Act, which also set up the credit union fund. The primary function of the board is to facilitate and oversee the voluntary restructuring of credit unions. The Act envisages that the board will be wound up when its functions have been completed — there is a 'sunset' provision in the Act, which requires the Minister to carry out a review by 1 January 2016 to determine whether or not the board has completed its functions.

The board's first set of financial statements cover the 2013 financial year. Its main source of income was the draw-down from the credit union fund. In 2013, the board used around €693,000 of the €750,000 drawn down from the fund.

In accordance with section 47 of the 2012 Act, the board is required to make regulations for an annual levy payable by credit unions. The proceeds of the levy are intended to equal half of the cost of the board's activities, and must be paid over to the credit union fund. No levy regulation has been made for 2013, and no levy income for the year is recognised. Note 2 indicates that the board intends to make levy regulations before the end of this year.

Approximately 65% of the board's expenditure in 2013 related to staff costs. A further 17% was incurred in relation to board costs. The remaining 18% covered administration, IT and communications costs, legal and professional fees and bank-related charges.

Chairman: I thank Mr. McCarthy and invite Mr. Doyle to make his opening statement.

Mr. John Doyle: A core recommendation of the report of the Commission on Credit Unions was that credit unions should be restructured on a voluntary, incentivised and time-bound basis with the guiding aims of protecting members' savings, securing the stability and viability of the sector at large and preserving the credit union identity and ethos. Further to this ReBo was established under Part 3 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 on 1 January 2013.

ReBo seeks to engage with credit unions on a voluntary basis in order to facilitate and assist the restructuring process. Under section 44 of the Act ReBo's function is broadly defined as engaging with credit unions in the development, preparation, assessment and approval of restructuring proposals. We do this by providing advice, assistance and support to enable credit unions to identify and undertake suitable and sustainable mergers. Additionally, under section 65 of the Act, ReBo can make recommendations to the Central Bank that stand-alone credit unions not party to a restructuring proposal be considered for stabilisation support.

Credit unions that engage in the restructuring process typically do so to enhance the services that they can provide their members, improve their governance and organisation structures and better equip themselves to remain in compliance with regulation. The legislation under which ReBo was formed states that the Minister for Finance shall, no later than 1 January 2016, conduct a review to determine whether or not ReBo has completed the performance of its functions. ReBo aims to complete its work by December 2015.

The Government has provided €250 million to the credit union fund for the purposes of restructuring. The purpose of the fund under section 57 of the Act is primarily to provide a source of financial support for restructuring, to provide for stabilisation support and to provide for the expenses of ReBo in discharging its functions. During 2013, ReBo drew down €750,000 from the credit union fund for the purpose of discharging its functions. This was done in accordance with the provisions of the Act and in consultation with the Department of Finance. Much of 2013 was spent making ReBo operationally ready. In its initial stages ReBo had an organisation structure made up of temporary staff and staff seconded from Department of Finance and the Central Bank. A CEO was appointed in June 2013 and a permanent staffing structure was put in place in November 2013. A process of credit union engagement commenced in May 2013 and by year end, 105 of 392 credit unions had expressed a desire to engage with ReBo. As at December 31, 2013 ReBo had met with 100 credit unions and 52 of these were actively involved in the restructuring process.

In the nine months to September 2014 ReBo drew down a further €2.125 million from the credit union fund, with €1.4 million of this being provided to credit unions in direct assistance. A number of mergers have already taken place or are in the process of being completed. ReBo has met with 323 credit unions, 20 of which have now taken part in eight completed merger projects. An additional ten credit unions, in four separate merger projects, are at approval stage and due to complete in the coming weeks. ReBo is working with a further 121 credit unions that wish to achieve a restructuring solution. Our briefing paper sets out in more detail the financial and restructuring information relating to 2013 and 2014.

In conclusion, ReBo has completed a significant body of work in engaging with the entire credit union movement. Restructuring solutions have been delivered for 30 credit unions and ReBo's focus for 2015 is to deliver solutions for the remaining credit unions it engages with. The members of all these credit unions will benefit greatly from the mergers they have been party to and the stability and viability of the sector will have been significantly improved. I thank the committee for the opportunity to present details of our remit and work and am happy to answer any questions members may have.

Chairman: I thank Mr. Doyle. Can we publish the opening statement?

Mr. John Doyle: Yes

Chairman: Thank you. I now invite Mr. Casey to make his opening statement.

Mr. Patrick Casey: The special resolution unit, SRU, in the Central Bank carries out resolution-related activities in accordance with the Governor's instructions covering credit unions, banks and investment firms. The unit is located in the Central Banking pillar of the Central Bank and for legal reasons it is operationally separate from the financial regulation area, which is responsible for the regulation and supervision of licensed firms. Given my resolution-related role, I hope to be able to address members' questions on the Credit Institutions Resolution Fund and, in particular, the three resolution cases which have been undertaken to date within the credit union sector.

As this committee is aware, the passing of the Central Bank and Credit Institutions (Resolution) Act 2011 by the Oireachtas placed Ireland's domestic resolution regime on a statutory footing. The purposes of the Act include providing a resolution regime for the management of failed or failing credit institutions that is effective in protecting the Exchequer, ensuring the stability of the financial system and the economy, maintaining public confidence and protecting the interests of depositors. The Act specifies the powers of the Central Bank in resolution matters, powers which are exercisable by the Governor, subject to High Court approval.

The resolution fund was established under the Act and the Central Bank is responsible for the management and administration of the fund. The Central Bank and Credit Institutions (Resolution) Act expressly restricts the utilisation of resolution fund resources to: paying a financial incentive to a transferee under a High Court-approved transfer order; providing capital to a State-controlled bridge bank; and discharging any resolution-related costs incurred by the Central Bank itself.

Contributions to the resolution fund comprise fully refundable moneys contributed by the Minister for Finance and non-refundable levies raised from the credit institutions industry under regulations issued by the Minister. On 23 December 2011 the Minister contributed €250 million to the resolution fund. The Minister has also made regulations to provide for the raising of levies from the credit institutions industry. To date there have been two levy periods with approximately €19 million collected during those periods, of which credit unions contributed approximately €14 million. The current balance in the resolution fund is €239 million.

In the context of the credit union sector, EU state aid approval for the use of fund resources is only available to support resolution action by means of a transfer order of all asset and liabilities of a failed or failing firm. When a transfer order is proposed as a means to address a firm's difficulties, specific steps must be undertaken. In line with EU state aid principles, the Act requires the Central Bank to conduct a competitive bid process concerning the transferring

assets and liabilities to ascertain market value. The Governor, on behalf of the Central Bank, must decide whether the intervention conditions under the Act have been met and whether a transfer order is necessary “in all of the circumstances”, representing a very high legal threshold requiring the exhaustion of all other available options. The Act also stipulates that an immediate winding up of the distressed firm must not be in the public interest, including that it is more cost effective to transfer the distressed firm than to liquidate it. The Minister for Finance must be formally consulted and must approve the provision of any financial incentive to a transferee under the Act. Finally, the High Court must approve a transfer order and must be satisfied that the detailed legal tests under the Act have been met in the circumstances of the case.

When the Central Bank undertakes a resolution action in accordance with the Central Bank and Credit Institutions (Resolution) Act, the resources of the resolution fund can only be used to fund any financial incentive under strictly prescribed circumstances. While the Central Bank is responsible for undertaking resolution action under the Act, the Minister for Finance must approve all financial incentive payments drawn on the fund and the High Court must grant the transfer order. While the Central Bank is also responsible for the management and administration of the resolution fund, the Minister for Finance retains the power to raise levies from industry to replenish the fund’s resources. It is also important to note that as a consequence of the three resolution cases undertaken in the credit union sector to date, further details on which are included in the appendix to this statement, no depositors have lost their savings.

Given the underlying sensitivities involved, I am precluded from discussing any specific cases that may or may not be with the SRU for resolution. I thank the committee for the opportunity to present details on the resolution fund and our resolution processes and am happy to answer any questions members may have in that regard.

Chairman: I thank Mr. Casey. Can we publish the statement?

Mr. Patrick Casey: Yes.

Deputy Áine Collins: I welcome the witnesses. What is the role of the League of Credit Unions now?

Mr. John Doyle: The League of Credit Unions is a representative body for credit unions. As I understand it, its primary function is to represent its members.

Deputy Áine Collins: It seems unusual that we are talking about the credit unions today and their representative body is not here. I just wanted to make that observation.

The witnesses said that 50% of credit unions have assets of less than €20 million and that such credit unions face a difficult challenge if they are to continue with their existing business model. What are the views of the witnesses on the future for credit unions?

Mr. John Doyle: For the credit union sector?

Deputy Áine Collins: Yes.

Mr. John Doyle: The engagement of the Credit Union Restructuring Board, ReBo, with credit unions is on a voluntary basis. We have met 323 credit unions to date. In my opening statement I said that many credit unions face significant challenges in terms of trying to deliver products and services to their members. The credit unions face significant challenges in terms of governance and organisation structures. We in ReBo see structuring as a potential solution

and we try to explain it to smaller credit unions. It is evident from our interactions with smaller credit unions that from the business model perspective it is increasingly difficult for them and they will be struggling.

Deputy Áine Collins: When Mr. Doyle refers to the business model, is he talking about the fact that their only income is from interest?

Mr. John Doyle: The credit unions have two income streams. They have an income stream from their lending, which is their core business. Loan-to-asset ratios have shrunk dramatically in the credit union movement in the past four or five years. They are down to an average of about 30%. Historically, the rest of their balance sheet is made up of investments. Investment returns for credit unions have all but disappeared. Their income model is under serious pressure. From a cost perspective there is an enhanced compliance regime, which brings additional cost. All the factors put together make it a very challenging environment for credit unions. We are actively engaged with 151 credit unions, that is 151 credit unions which have decided they want to play a part in a restructuring process because they see it as a potential vehicle to improve their current circumstances, be it from the perspective of viability, governance and an ability to comply with regulation.

Mr. Bobby McVeigh: As Mr. Doyle has pointed out, ReBo seeks to engage with credit unions on a voluntary basis. It is time bound and it is incentivised. We are working with the sector in its entirety, including the League of Credit Unions, who have been supportive of the work of restructuring. To respond to Deputy Collins's question apropos of how we see the future of credit unions, as Mr. Doyle has outlined, when one looks at the new regulatory compliance measures, it is very difficult for some of these small credit unions to be in compliance when one considers their sources of incomes, that is, income from investments, which at this point in time is nil and the loan interest they will charge. When 50% of credit unions have assets of less than €20 million, it will be very difficult for them to continue to survive and to have sufficient income to pay operational costs. That being said, in my opinion the future of the credit unions in Ireland is not a problem.

The board of ReBo has support across the sector and is working with the credit unions and I foresee a system that will be much stronger and more viable with additional services that are cost-effective and efficient for the members.

Deputy Áine Collins: What kind of service does Mr. McVeigh envisage?

Mr. Bobby McVeigh: In my opinion, which I think is supported by the board of ReBo, we would like to see credit unions as a full service financial institution ultimately. The share of the wallet that the credit unions have now is minor in comparison with what we believe it could be. A credit union member has to go to the banks for services, but I would like to see that member being able to go to his or her credit union and access any services in the financial sector that he or she would need. Ultimately, as the movement progresses and becomes what I call a world-class credit union movement for this country, that can happen. I assure the committee that the board of ReBo, even though it is time bound, works on a voluntary basis with credit unions and I believe the future for the credit union system in Ireland is bright. The services can be enhanced. I do not foresee problems doing this going forward.

Deputy Áine Collins: Are we talking about credit unions being able to offer checking and clearing services?

Mr. Bobby McVeigh: If I may be so bold, the key is that whatever financial services an individual member of a credit union needs, he or she should be able to get them at the credit union. To this end, when we look at the bigger vision, that is exactly what we want. There is none of the ReBo committee who does not know what the credit union system has done for Ireland, for individuals, their families and for the communities, and we want to enhance the credit union's ability and make them more competitive with the banks.

Deputy Áine Collins: Is Mr. McVeigh talking about credit unions being able to offer loans to small businesses? Currently a credit union cannot lend to a small business.

Mr. Bobby McVeigh: Ultimately, yes. That requires an expertise that is different from lending for consumer loans and character loans. That is a specialised area, but ultimately the credit union movement can move into that large market.

Deputy Áine Collins: The credit unions will, in effect, become a bank.

Mr. Bobby McVeigh: No. Let me assure the Chairman and members that the system I have worked with around the world still has the philosophy and ethos of the credit union system. In fact, the founders of the movement will say that it is not about profit but what one does with the profit one makes. The credit union movement is a social concept with community links, and by enhancing the ability of the credit union and its services, the services to its members can be enhanced. The credit union is not a bank, it is still member owned and member driven.

Mr. John Doyle: In the interaction of ReBo with credit unions, it becomes very clear that the credit unions see themselves - I think they are correct - as being at a critical point in their existence, and to go forward, they need to service a whole generation of members in a different way. Many credit unions want to provide what one calls banking services, but they do not want to become banks. ReBo has a very specific remit, which is entirely around restructuring. Many credit unions see and recognise the fact that restructuring and putting themselves on a sounder platform on a bigger scale puts them in a far better position to deliver on that.

Deputy Áine Collins: How many credit unions currently operate with a deficit?

Mr. John Doyle: I would not be a party to that information. It is not the focus of our engagement with credit unions. Our engagement with credit union is around-----

Deputy Áine Collins: Perhaps the Central Bank can answer that question.

Mr. Patrick Casey: Based on data submitted by the credit unions at 30 September, which is the year end for the credit union movement, I think of the order of 20 credit unions hold reserves below the 10% regulatory requirement.

Deputy Áine Collins: Is that after revaluation of assets?

Mr. Patrick Casey: Obviously the valuation of the assets of an entity is a matter for the board of an entity. In applying its fiduciary obligations, it takes impairments on fixed and loan assets.

Deputy Áine Collins: We represent constituencies where there are many credit unions. We are hearing about the process in which they are engaged. We are hearing about governance and we all know why that has happened. The members of the credit union boards are volunteers and they seem to be unclear about some of the processes that the Central Bank is putting in place. I am aware of a credit union that has not had an AGM for three years and has been told by the

Central Bank that it cannot hold an AGM.

Mr. Patrick Casey: I have been informed by my regulatory colleagues who work in that area that on an individual basis they work closely with credit unions to resolve their regulatory issues before an AGM can be held. I am advised by them that the actions taken by the bank are to ensure that credit union members and their savings are protected in the interests of the movement. Some credit unions remediate their regulatory concerns and they proceed towards an AGM. In the area I work in, other credit unions have not had an AGM for a period of years. In those circumstances, the Central Bank's preference has been to find a solution for the credit union before it moves towards having an AGM. The entities are sensitive to the disclosure of their financial positions in such circumstances, particularly to avoid precipitating a destabilising event. Most credit unions work on their regulatory concerns with a view to holding an AGM.

Deputy Áine Collins: Members are concerned when AGMs are not held. I appreciate the argument about destabilisation. When an AGM is not held, it gets around pretty quickly among the members that there is a problem. It is not open and transparent. We do not want to go back to where we all were a number of years ago, when people did not know what was going on. It is a serious issue. Will the officials look into it? What is the age profile of credit union members? Is it an issue that many members are older?

Mr. Joe O'Toole: It changes with the different kinds of credit unions. The average age of the members of some public sector credit unions has increased by ten, in effect, as a result of the recruitment embargo of the past ten years. That has not happened in other areas of the public service, such as teaching, to which the embargo did not apply. The real issue, as Deputy Collins will know by virtue of her background, is that this began as a sub-prime lending operation which now needs to be governed properly. At a time when microfinancing is becoming a huge issue - the Deputy spoke about commercial lending - we are trying to get structures together that can reflect modern needs. I will give an example of one of these issues. Bank branches are closing throughout the country. There was another announcement last week. Many small towns, including some in the Deputy's constituency, might not have an ATM later at night when the local Spar is closed. Many credit unions have ATMs in their local areas that serve local communities. If young people are to come in and join, they need to be able to do all their business electronically. They will not do it any other way. If the necessary investment to facilitate this is to take place, there must be economies of scale. We are trying to get to that point. The current 30% loan ratio is not sustainable in the long term. A combination of governance, marketing and progress is needed to unblock that part of it. Electronic banking is certainly part of that.

Deputy Áine Collins: I accept that. The credit unions are of huge value in the community. We all have concerns about their future.

Mr. Joe O'Toole: The advantage of the credit union movement with regard to commercial lending has meant that it was not involved in the creation of the banking crisis. If the owner of a corner shop is looking for €5,000 to paint and do up his business, a member of the credit committee who attends the monthly meeting might say they gave that guy €5,000 four months ago and they do not see any sign of a paint job on the front of the business. The advantage of local engagement is that the risk is maintained and the loan is managed in that way. That is why the governance can work so well. With increased governance, we would also be looking for increased local discretion. We would share the Deputy's views about ATMs.

Deputy Áine Collins: As we all know, the credit unions that continued to give €5,000 loans

are not the credit unions that caused the problems.

Mr. Joe O'Toole: Absolutely.

Deputy Áine Collins: The ethos and the governance was an issue. How many mergers have taken place?

Mr. John Doyle: Twenty credit unions have taken part in eight-----

Deputy Áine Collins: Were all of these mergers voluntary?

Mr. John Doyle: Yes. Everything we do is voluntary. We are not involved in anything else. Twenty credit unions have taken part in eight completed mergers. A further ten credit unions are in the last throes of the process.

Deputy Áine Collins: Are these credit unions that have financial issues or are they all healthy?

Mr. John Doyle: It would be fair to say that they would not have financial issues.

Deputy Áine Collins: Right. They just see it as-----

Mr. John Doyle: The majority of the credit unions with which we are dealing - restructures and mergers are occurring because of that - are not typically credit unions with serious financial issues. That probably explains why, in terms of our drawdown from the credit union fund, we are finding that much of the restructuring we are doing is being done from within the existing capital structures of the credit unions involved. One of the primary recommendations in the commission report was that in the first instance, we should try to solve those problems from within the existing capital structures without recourse to the Exchequer.

Mr. Joe O'Toole: That takes account of the fact that the regulatory reserve for credit unions is 10%. As the Deputy will know from her work on this committee, that is far higher than what is required under the Basel regulations for banks, etc. They are actually safer from that starting point of view.

Deputy Áine Collins: I know. I accept that.

Mr. Bobby McVeigh: I will answer the Deputy's very good question about the age profile of credit union members. This issue is not unique to Ireland. All the countries I have worked in, particularly Canada, are wrestling with the same problem. Those between the ages of 20 and 35, in particular, tend to be borrowers who need money. They comprise a target market that needs to be addressed well. As my colleague has indicated, if one does not provide the services demanded by people in that age group, they will go elsewhere. As we go forward with the restructuring and the mergers that are taking place, the asset size and the membership will increase and the additional services should become more affordable. That will enable us to entice this target market to become members. I want to make it clear that this problem is not unique to Ireland. It is a major problem, even for very successful credit union movements around the world.

Deputy Áine Collins: I thank the Chairman and the officials.

Deputy Robert Dowds: I welcome all our guests. I would like to put my first question to the clerk. Did we get an opening statement from the Central Bank before today's meeting? Did

it just arrive?

Clerk to the Committee: It was circulated earlier this morning.

Deputy Robert Dowds: I ask Mr. Casey whether it might be possible for the opening statement to be circulated beforehand the next time. It puts us at a bit of a disadvantage if we do not have it in advance. We received an opening statement from Mr. Doyle.

Mr. Patrick Casey: We provided an opening statement in advance. It was shared.

Clerk to the Committee: It did not go out until this morning. That is probably partly-----

Mr. Patrick Casey: We provided it in advance.

Deputy Robert Dowds: I did not see it until Mr. Casey read it this morning. It would be appreciated if we could get things in advance. I would like to put on record my appreciation of the many volunteers in the credit union movement. They are part of the glue that holds this country together. Like other institutions, including the GAA and other sporting organisations, the credit unions are the unsung heroes of this country.

My questions are primarily directed at the Central Bank. I am concerned about the issue of lending in credit unions. I have had meetings with representatives of credit unions recently. One of their big concerns is the imposition of lending restrictions. Will Mr. Casey or Mr. Power outline the sorts of restrictions that have been placed on credit unions? Why are they there? Can they be made more flexible? These questions are particularly pertinent at the moment. I will give an example. As the economy is improving, many carpenters and other tradesmen are seeking to buy new vans in order that they can do their jobs better. I understand that many people in such circumstances are finding it difficult to get money from credit unions. I would have thought that such lending would be ideal. It seems to me that these restrictions are imposed from on high.

Mr. Patrick Casey: On lending restrictions, the Central Bank is obliged to act to restrict the business activities of weak credit unions if members' funds are potentially at risk. I understand from my regulatory colleagues that because of the scale of the issues and concerns identified within individual credit unions, some form of lending restriction has been imposed on approximately half of all credit unions. Such restrictions are subject to ongoing review by the regulatory side of the Central Bank. Each individual credit union is entitled to request the Registry of Credit Unions to review its existing lending restrictions at its own request. There are broadly two types of lending restriction. There are monthly lending restrictions where, I understand, less than 10% of all credit unions have a restriction that limits the amount they can lend each month. This means that 90% of credit unions have no monthly lending restriction.

Chairman: Ninety per cent.

Mr. Patrick Casey: Less than 10% of all credit unions have a restriction that limits the amount they can lend each month in total. Therefore, 90% of credit unions have no-----

Deputy Robert Dowds: How does that affect an individual who wants to borrow?

Mr. Patrick Casey: There is a second type of lending restriction which is a maximum loan size per member. For those credit unions that have individual loan size restrictions, the vast majority of those can continue to lend significantly more than the average loan for the sector, which is just above €6,000. Therefore, about a dozen individual credit unions have lending

restrictions which limit the amount they can lend to less than €10,000.

Deputy Robert Dowds: Mr. Casey is saying that the-----

Mr. Patrick Casey: Yes. When the average sector loan is €6,000, most credit unions that have restrictions can lend above the average loan in the sector so it is not restricting them in that way. I should say that lending restrictions are not an area that I am close to, so I am briefed by people internally. In the cases that I would come across-----

Deputy Robert Dowds: Who can throw light on this because it seems to be one of the core complaints that I hear from credit unions? The other reason I am so exercised by it is that I think it is a drag on the development and recovery of the economy because many small business people and people who work on their own have difficulty getting money or have problems with institutions, and it is holding the country back.

Mr. Joe O'Toole: It is not within our discretion but just for information, I am aware that the regulator said in the past fortnight that 50% of those who have restrictions at the moment will be reviewed individually and that she expects a huge improvement in the position in the next six months. That is as I heard it from her. It is not something that we come across. It is something we become aware of only in the course of a merger.

Mr. John Doyle: In the case of some of the mergers that come about and others, often when a credit union transfers its engagements into another credit union, which is what we are essentially all about, it will often remove those lending restrictions for that credit union in becoming part of an enlarged structure and moving into a transferee credit union that perhaps does not have a lending restriction. That opens up the possibility for that credit union with the lending restriction that its members will be in a position where they are not subject to those restrictions. It can be a positive factor in terms of credit unions deciding to become involved in restructuring.

Deputy Robert Dowds: The other side of this question is that, in general, and while I know there are some exceptions and there are the credit unions that have got into trouble, credit unions appear to be well-capitalised and the moneys set aside by the Department of Finance for the credit institutions resolution fund and the credit union fund - €250 million for each - does not seem to be as necessary as, perhaps, was considered in the first place. Is that an accurate observation?

Mr. Joe O'Toole: If one could imagine all the credit unions in the country being amalgamated into one credit union, there would be no capitalisation problem. That is to confirm the Deputy's point. It is our hope and understanding - again, we have no discretion over it - that increased governance and regulatory rules would allow more discretion at local level to deal with the issues. That is our hope but it is not an issue we can deal with.

Chairman: Sorry, Deputy Dowds. Mr. Joe O'Toole is so used to this, he is very quick.

Mr. Bobby McVeigh: Mr O'Toole is very quick in the job.

Deputy Robert Dowds: He represented me for many years so I know.

Mr. Bobby McVeigh: I should say that in the case of the lending restrictions in place in the various credit unions, it is not in the purview of ReBo to deal with that issue because we do not impose them and we cannot ask that they be lifted. However, when the registrar's department

does a complete analysis of the credit union to see if it is in compliance, obviously if there are serious delinquency problems or capital deficiencies, they will lead to some restrictions being put in place. My colleague, Mr. Joe O'Toole, has said the registrar has told us they are looking at the issue and will review the restrictions. Over and above that, one of the questions I had in that department some months ago was that it said it does not appear that the restrictions on lending - the caps - are affecting credit unions' ability to service their members in that Mr. Patrick Casey indicated the average loan across the system is about €6,000 and the caps are usually higher than that. It is a problem imposed by that department. To be clear, it is not in the purview of ReBo as to exactly why it is there or how it can be lifted. As Mr. John Doyle has indicated, if a restructuring process involves a credit union that had some caps on its lending, that is basically removed with a larger asset base and a larger membership base.

Deputy Robert Dowds: In a sense the two institutions that can do most about this - the Central Bank and the Department of Finance - are keeping their mouths closed as much as possible. Does Mr. McVeigh appreciate that this is a real problem and that it would help the country if this issue was looked at again?

Mr. Bobby McVeigh: My understanding is - I am not the Central Bank delegate-----

Deputy Robert Dowds: I really want the Central Bank delegates to speak. They are the people who have the power. I appreciate the work being done.

Mr. Bobby McVeigh: My understanding is that the matter is under review. That is from our point of view because we have asked the question.

Mr. Ronan Hession: Since Deputy Dowds has specifically invited a response, the lending restrictions are imposed by the Registrar of Credit Unions within the Central Bank so it is a regulatory action. It is not something in which the Minister is involved specifically. When the issue was discussed at the Commission on Credit Unions, which produced its landmark report in 2011 and which is the basis on which many of the reforms of recent years have taken place, including the establishment of ReBo, one of the changes recommended and which has since been carried through is that the type of regulatory mechanism used for restrictions, which is a regulatory direction, which means it will apply on a credit union's specific basis, should be subject to an appeal. That was particularly called for by credit unions because balance and proportionality were missing features in the system. That change has been made. Where a credit union gets a regulatory direction and where it feels that either the basis for the direction is not correct or is excessive, there is an avenue of appeal. That avenue of appeal to the Irish Financial Services Appeals Tribunal, in addition to the type of reviews that take place within the registrar's office, is entirely independent. It is independent of the Central Bank and of the Minister. There is, therefore, a mechanism for credit unions to put their case if they are of the view that the lending restrictions are not being imposed in the way they ought to be. In general, it is a regulatory decision. We have an independent regulator for credit unions, and from the Minister's point of view-----

Deputy Robert Dowds: Will he or she be here today?

Chairman: We are dealing with a particular fund. In that regard, does Mr. Casey want to say anything-----

Deputy Robert Dowds: There is a certain element of optimism from Mr. Bobby McVeigh and Mr. Joe O'Toole in terms of the lifting of some of these restrictions down the track. Can

Mr. Casey throw any light on this?

Mr. Patrick Casey: I hate to say this, but it is in the area of the Central Bank that I work in.

Deputy Robert Dowds: Why is Mr. Casey here, then?

Mr. Patrick Casey: To talk about the resolution fund accounts.

Deputy Robert Dowds: Can Mr. Power address this?

Mr. Fergal Power: I am here to speak about the accounts as well. I look after the accounting in the accounts.

Deputy Robert Dowds: Who would be the right person in the Central Bank to address this question?

Mr. Patrick Casey: It is a matter for the regulatory side of the Central Bank and the registrar who issues the lending restrictions.

Deputy Robert Dowds: Why are they not represented here today?

Mr. Patrick Casey: We are here to discuss the credit institution resolution funds accounts. This is why we have been asked to attend.

Deputy Robert Dowds: As this is a relevant issue for this meeting, why is there not someone here today to address it? It is a critically important issue for so many people around this country, and it frustrates credit unions. There is a related issue in that there are restrictions on credit unions giving loans to people who they know are good bets. There is a lot of distrust of the sort of intelligence that some of the local people in credit unions have. This is what I hear from my own credit union in Clondalkin. It frustrates me that the person from the Central Bank who can deal with this issue is not here. This is probably the most important issue that is before us for discussion today, and I would like to see some progress on it.

Chairman: We can get a submission on it by sending the transcript of this meeting to those whom it concerns.

Deputy Robert Dowds: Might we have a formal response from the Central Bank on this issue? I can tell the witnesses that before they came in we were getting notice of delays from certain other Departments. I hope we do not have to ask for a special extra meeting to get this information. It is not in any of our interests.

I have another question. Everyone is aware of the recently announced Government strategy on social housing, and that there is a provision in this for funds to be sourced from credit unions. I understand the president of the Irish League of Credit Unions, ILCU, has welcomed this proposal. The ILCU reckons the credit union movement could provide between €500 million and €1 billion for social housing. I would be interested to know the Central Bank's reaction to this and whether it sees it as a viable proposition. It would be only one aspect of sorting out the housing problem, but it would be a useful addition in this whole area.

Chairman: Does this concern the Department of Finance?

Deputy Robert Dowds: Yes; either the Central Bank or the Department of Finance. I would be interested in their comments on it.

Mr. Patrick Casey: Is this regarding credit union money being made available to social lending? Again, my area of expertise is in the resolution area. I do not regulate credit unions and therefore am not close enough to the detail around the provision of loans for social housing from credit unions.

Chairman: Would someone from the Department of Finance like to help us on this?

Mr. Ronan Hession: While I am no longer in the credit union area myself, I know this was an issue that has been subject of discussions between some of my Departmental colleagues and the credit union movement. It was a big issue for credit unions in the commission process, and during the debate on the 2012 Act there was a small number of issues on which the credit union movement felt there needed to be amendments to the Act. One of them was to allow credit unions to get involved in investment in State projects which they felt resonated with their ethos. Social housing was one of these. There seems to be an obvious mutual interest in credit unions looking to use their money - their surplus funds - because, as Mr. McVeigh says, they need to get a return on their investments rather than allowing it to sit in a bank account. Can they put it to use in some way that is socially useful? It is a complicated space. There are a lot of different initiatives in social housing. There are a lot of people putting their attention to it. There are also a lot of people interested in investing in social housing. The difficult question is how do they get their money back. There have been quite constructive discussions. I have to say, in a fortuitous way, it is quite helpful that the outgoing CEO of the league is going to work in this area. It helps to keep the good relationship we have had with the league working in a new space. I cannot give the Deputy anything groundbreaking on this except to say there is an openness to it and that consultations are happening directly with the sector's representatives. It would be a very positive thing if that hook-up were to happen.

Mr. Bobby McVeigh: This is not in our purview, but I might speak from my experience to tie this in with the Deputy's question on credit unions becoming ever bigger and more like banks. I can reassure the committee that this has not happened in the jurisdictions in which I have worked, particularly in Canada. On the Deputy's question on social housing, some of the large credit unions in Canada, particularly in Vancouver, Toronto and Manitoba, have specialised in putting a lot of their surplus money into social housing and community endeavours and tying that back into the community from a social point of view. They have done very well by it, while everyone else has ignored it. In the future, it has great potential.

Deputy Robert Dowds: I was rather surprised by this suggestion in the sense that it is not an area in which I would expect credit unions to be involved, although if they have sufficient funds and are able to be, that is all well and good. Could I ask Mr. Casey for a written response from the Central Bank on this question?

There is one other area I wish to ask about, and then I will wind up. I have been asked to inquire about the situation regarding Newbridge Credit Union. Perhaps the witnesses could provide some clarity as to where things stand now with the credit union and what the situation is regarding the building, community involvement in the building and the staff. I may have one or two other questions to come back to when those are answered. This is Mr. Casey's area. I appreciate that it is a difficult issue, and it is unfortunate that this has happened because the vast majority of credit unions have behaved with a remarkable degree of sense over the years. The witnesses probably agree with this.

Mr. Patrick Casey: I will not make any specific comment on that last point. What I would say is that the former Newbridge premises that Deputy Dowds asked about was not transferred

to Permanent TSB as part of our resolution of Newbridge Credit Union. The premises was retained by Newbridge Credit Union Ltd., which is the former legal entity of the credit union. We sought the appointment by the High Court of a liquidator to that entity in December 2013, following the transfer to PTSB. The liquidators are in the process of selling the assets of that entity. The remaining substantial asset is the building. Contracts for sale have been signed between the liquidator and the acquirer, which is the Office of Public Works as purchaser of the building. We understand the sale will go through - completion will occur - sometime over the course of early 2015. I guess some time before Easter. In terms of the proceeds of sale, the Comptroller and Auditor General mentioned in his opening statement that despite the fact that the incentive for the transfer was provided to PTSB, under the legislation the actual incentive becomes a debt of Newbridge Credit Union Ltd. For that reason, the proceeds of sale will return to the resolution fund in due course.

On the question about local community use of the building, as soon as the building is sold, its use will be a matter for OPW. I am not in a position to answer on its behalf.

Deputy Robert Dowds: Will a new credit union emerge or will Permanent TSB take over all that business?

Mr. Patrick Casey: The assets and liabilities of Newbridge Credit Union were transferred to Permanent TSB under the transfer order on 10 November. Since then there have been several expressions of interest from neighbouring credit unions seeking to extend their common bond to cover the Newbridge town area, but there has been no formal submission. The Central Bank is open to any application to extend the common bond.

Deputy Robert Dowds: The neighbouring towns of Naas or Kildare could come in.

Mr. Patrick Casey: We are open to reviewing a formal application from any individual who chooses to submit one but we have not received any formal application. There had been some discussion about the restoration of credit union services in Newbridge and we are very much in favour of a new credit union being set up by local people. While that was discussed there has been no formal proposal to date. The registrar will be happy to meet any party interested in setting up a new credit union.

Mr. Bobby McVeigh: My understanding is that credit unions in the neighbouring area voted in the past week at their annual meeting to extend their bond to include the Newbridge area. I anticipate that that will happen.

Deputy Robert Dowds: When did it become apparent that Newbridge Credit Union was in financial difficulty? Did the Central Bank or the Department of Finance have any role in monitoring it at that stage or did the internal regulator do that entirely?

Mr. Patrick Casey: There were two core problems in Newbridge Credit Union. The first was the investment of members' capital in new premises. We understand €19 million was spent, principally in the period 2005 to 2006. The second issue related to lending practices and particularly the provision of property-backed loans. There was a portfolio of special examination loans provided by Newbridge Credit Union totalling €40 million, approximately 30% of the gross loan balances of the credit union. They were non-standard bulk repayment loans which were larger than the average credit union loan. The impact of those loans and the recognition of their losses in that portfolio came to light in a report by the new auditors to Newbridge Credit Union in the latter part of 2011. That was when the financial distress occurred.

Deputy Robert Dowds: We have seen references to credit unions in Howth, Sutton and Berehaven having got into trouble. Does the Central Bank expect any others to get into further trouble? I know Mr. Casey cannot name them. The smaller ones may get involved in restructuring, which is a different but important issue.

Mr. Patrick Casey: It is not clear to what extent there will be further resolution in the sector, but it is possible that individual credit unions could get into difficulty. There are weak credit unions in the system that the regulator is focusing on.

Deputy Robert Dowds: I am not asking Mr. Casey to name them, because that would not be right, but does he know how many might be in difficulty?

Mr. Patrick Casey: Approximately 20 credit unions hold reserves below the regulatory requirement. There is close engagement with them.

Deputy Robert Dowds: The Central Bank has put a red light on those.

Mr. Patrick Casey: There is certainly regular interaction with them. The exact number of credit unions requiring resolution cannot be determined because there are many different elements.

Deputy Robert Dowds: The restructuring proposal is a good idea. Would that help in dealing with some of them?

Mr. Patrick Casey: To the extent that they can avail of a restructuring solution, yes. That is a matter for the board.

Mr. Bobby McVeigh: On the restructuring, we will be contacted to see if there is a possibility of restructuring before the High Court puts any resolution into effect or such a resolution is finalised, because that has to be a last resort. If there is, I can assure the Deputy we will definitely consider it.

Deputy Robert Dowds: Will the witnesses please bring back the message that people should get loans more easily, particularly if they are trying to start up businesses? That is so important for all of us.

Deputy John Perry: What is the current value of the fund?

Mr. John Doyle: There is €250 million in the fund. To date we have drawn down between €3 million and €3.5 million.

Deputy John Perry: I am amazed that although the fund was established in 2011, only €3.5 million has been drawn down. I have been told the fund is to finish by 2015. I have listened attentively to all the questions asked. How does the board expect to clear the fund by 2015? The cumulative operational costs would be approximately €1.3 million on a distribution of €3.5 million, which would mean that the running costs are one-third of the fund given out. Is it not a contradiction to have €250 million remaining when so many credit unions are in difficulty?

Mr. Bobby McVeigh: Those are very good questions. I had expected them sooner. We came into being in the latter part of 2012, and we became legal on 1 January 2013. As my colleagues can attest, the board was starting from scratch. We had no staff, apart from a few seconded staff from the Department of Finance and the Central Bank. We had to put everything in place, from policies to procedures and so on. There was a gap in getting into the restructuring

ing component.

The Deputy is absolutely correct about what we have drawn down. We are incentivised, voluntary and time-bound. Being voluntary is a curse and a blessing. It would be nice to say this, this and this, but that is not how it works. I have already communicated to the Minister that we are now making a complete assessment of what we have in the pipeline for restructuring, what the potential is and what the costs may be. I have notified him of this and he replied on 9 December and is waiting for us to complete the assessment to deal with it. I can say without qualification that a large amount of that fund will not be used in restructuring.

Mr. John Doyle: It is an obvious question. We played no part in deciding the amount of money set aside for the fund in the first instance. We are dealing with 150 credit unions, which have a real desire to play a part in restructuring. That €150 million represents an asset size of about €6.5 billion across the entire credit union movement, so it actually represents about 50% of this sector. We hope to restructure that 50%, with which we are dealing right now, without availing of the fund. We consider that a very positive thing, that is, if we can put half of the credit union movement on a more sound platform without recourse to the public Exchequer.

Deputy John Perry: I mention the re-emergence of the economy and the fact we are all hearing about restructuring. This is going on since 2011. Many credit unions need assistance. A fund was set up and the primary focus was to reignite business and reorganise small companies. There is a very good example in Kilkenny, where businesses are funded. We have the microfinance fund and the State guarantees up to €25,000 for small companies. I am amazed there is not a level of co-operation with the State in regard to the draw down of the fund.

I am very disappointed. I am a very straight talker. We have a fund with €250 million and only €3.5 million has been drawn down. People are being refused credit by credit unions due to massive restructuring. We have report after report talking about restructuring but very little is happening.

Mr. Bobby McVeigh: What we have done and what we have in the pipeline - Mr. Doyle outlined the possible expenditure - represents 50% of the membership and 50% of the assets of the credit union.

Deputy John Perry: Regardless of the State-----

Mr. Bobby McVeigh: I know what the Deputy is saying and I appreciate that. If one goes back to the commission report, the first draw was supposed to be the capital from the credit unions themselves. To this end, we have been able to do a fair amount without expending public moneys. Trust me, I am not saying we should not spend public moneys. If ReBo had the opportunity to deal with every single credit union and to ensure restructuring could be done, we most certainly would do that but that voluntary component kicks in again.

Deputy John Perry: I have heard from the voluntary component and the community economic regeneration and social enterprise, which are very important in every community. We fully respect that. We are paying a huge price for that in terms of inaction. That is no compensation. There are 200,000 companies employing 700,000 people. We have had a total transformation of the banking circle, whether branches being curtailed or credit being restricted. There is no point saying the State is giving €250 million, that it will be finished by 2015 and it will give money back to the Exchequer. If the State said it was giving €10 million, parliamentary questions would be tabled in Dáil Éireann as to why the fund was so small and why we were not

restructuring. Restructuring means investment and recapitalisation of credit unions which are not doing business and it means a lot more action than what I have seen in the report.

Mr. Bobby McVeigh: The Deputy's assumptions are correct. However, he has to realise that we have restrictions in the restructuring component of what we can do with that money.

Mr. John Doyle: We are entirely bound by legislation in what we can and cannot do.

Deputy John Perry: I have seen it.

Mr. John Doyle: Primarily, there are three uses for that fund. There are our own operational costs, which are relatively small. There is stabilisation support, which can be given to an individual credit union in very specific circumstances where its regulatory reserve is between 7.5% and 10%. There are very few credit unions that fall into that space. Our only other recourse to that fund is for voluntary restructuring proposals. What we have come across in our interaction with the sector is that there has been one credit union thus far that we have dealt with where we have been unable to help in that regard. The reason we were unable to help it - I think this is informative - is that in a voluntary restructuring proposal, there has to be another credit union. We were unable to find another credit union that would merge with the particular credit union in question on the simple basis that the level of funding that would be required and the interest cost that would come with that made it unattractive to find a partner credit union for it, but that has only been one instance.

Deputy John Perry: On that point, we know the demographics of the region, we know where credit unions are and we know of mergers that could never happen. All of that was well known before this fund was well established. This does not answer the question because we know only too well that the fund given by Government is very similar to the microfinance fund for small companies. Ten reasons were given as to why the fund could not be used. I am finding ten excuses as to why this fund could not be used. This fund of €250 million was established in 2011 and all that has been drawn down is €3.2 million while at the same time, credit unions are on the floor and they are facing red tape. It is quite feasible that a credit union in a small village will not merge with a credit union five miles up the road.

The Government gave the fund to reignite credit. I refer to the home improvement grants being announced by the State to get the construction sector going and to create jobs in the economy. If people go to the credit union, they face red tape and the caveat that it has reached its monthly quota. This is very disappointing. I am very disappointed that one third of the fund, which has been given out, has been in expenses. Regardless of who is doing what, it is voluntary.

Mr. John Doyle: In answer to the Deputy's point, I would make a very important point that the terms and conditions that attach to the fund were only agreed two weeks ago. Until two weeks ago, we would not have been in a position to provide moneys to a credit union from that fund.

Deputy John Perry: Is Mr. Doyle telling me that the terms and conditions attaching to this fund, established in 2011, were only agreed two and half weeks ago? Is that correct?

Mr. John Doyle: Correct.

Mr. Seamus McCarthy: On a point of correction, it is 2012 rather than 2011.

Mr. Joe O'Toole: Could I also make it absolutely clear to the Deputy, something of which he is clearly not aware? The money has to be paid back. The money has to be approved at European level. That was one of the things that happened last week. If we were to talk to Ballymoate credit union and say we were going to put it into a group with another one and make a certain amount of money available, there would have to be a coupon charge to that, which is acceptable to Europe. It would have to appear on the accounts at the end of the year as a liability.

Deputy John Perry: I welcome the former Senator, Mr. Joe O'Toole. I am fully aware it has to be repaid. There is no free lunch anywhere but the fact the conditions of the fund, which was announced three and a half years ago, were only agreed two weeks ago is a major-----

Mr. Joe O'Toole: We do not see an appetite among credit unions to draw down a fund as it was described by the Oireachtas.

Deputy John Perry: Would Mr. O'Toole not agree that fact should have been put in the public domain from the very start? Questions have been asked in the Dáil as to what is happening to this fund and about its inability to operate. Situations of that nature should be put on the record as should the caveat and the restrictions in using this fund rather than saying it will close in 2015 and that none of the fund will have been used.

Mr. Murray McCarter: In regard to Mr. Doyle's point about the approval from the EU, both stabilisation and restructuring support had to be approved from a state aid point of view. What could be drawn from the fund is what we have seen, that is, voluntary restructures under a certain level. That has been taking place. In addition, despite the approval being only given in the past month, we are not aware of any restructurings or stabilisations that have been held up as a result.

Deputy John Perry: On that point, I was involved with the microfinance fund. While the Government is anxious that aid under the microfinance fund be dispensed, there is much red tape around draw down from it. The state aid rules which will apply over the next five years are very liberal and are a signal that the European Investment Fund, EIF, and European Investment Bank, EIB, are determined to reignite economies and to ensure that funds are not returned to source. The aim is to ensure proper utilisation of funds which, in turn, will be utilised to create jobs.

Chairman: Perhaps Mr. Doyle will explain the use of the fund relative to borrowings-loans.

Mr. John Doyle: On use of the fund in terms of restructuring, it is very specifically in place to assist in a merged scenario, for example, two credit unions coming together that would have a reserve position of less than the regulatory requirement of 10%. The purpose of the restructuring fund is to fill that gap. Obviously, the credit unions then have to repay the fund, including interest. We have interacted with every credit union in the country that was willing to meet with us and in that regard have 150 proposals before us. The credit unions are solving these problems themselves. In 90% to 95% of cases these issues are being addressed from within the existing capital structures of the credit unions, which, again, we would view as positive.

Chairman: The point is that the €250 million is for the restructuring of credit unions and not for loan provision.

Mr. John Doyle: Correct.

Chairman: Mr. Doyle needs to make that clear.

Mr. John Doyle: The €250 million is specifically to boost the capital structure of the credit unions.

Deputy John Perry: That is a critically important point. The sole purpose of the fund is to assist in restructuring of the credit unions. What is the interest charge on repayments?

Mr. John Doyle: The interest is charged at 5% for the first five years, 6.25% for the next five years and 7.5% in the following years.

Deputy John Perry: What is the duration of the loans? Are loans available on a long-term basis?

Mr. John Doyle: Yes, long-term loans are available.

Deputy John Perry: Is it possible to get a loan repayable over 20 years?

Mr. John Doyle: That has not been defined but loans can be repaid over the longer term.

Deputy John Perry: In terms of loan repayments and the interest charged thereon, there will be a very good return on investment. Credit unions will also probably be charging their customers an additional percentage per month.

Mr. John Doyle: The issue is the relative unattractiveness of the fund to credit unions in that taking on debt at 5%, 6% or 7% in the current environment is difficult for them.

Deputy John Perry: In terms of the resolution of the fund, is Mr. Doyle not disappointed with regard to the outcry of recapitalisation of banks and credit unions in the context of the availability of credit? There is no point having this fund in place if it is not drawn on. Are further measures needed to ensure greater flexibility to enable credit unions to avail of it in order to recapitalise themselves?

Mr. Patrick Casey: Is that a question for the Department of Finance or Central Bank?

Deputy John Perry: Both.

Mr. Murray McCarter: This was all agreed by the commission which comprised representatives bodies of the credit unions. It was agreed in the commission's report that where funds were available from within the credit union sector, they would be the first draw. Where funds were not available, there would be additional funds in place that could be used. Against the backdrop of the commission report, we had a situation where credit unions had arrears of €1 billion and more than 50 credit unions had reserve ratios of less than 10%. The credit union sector has proven itself to be a lot more resilient and stronger than anticipated at the time. Also, the Central Bank stress tests indicated that there could be a capital hole of up to €1 billion. Funds were set aside for the provision of restructuring of €250 million. What has happened over the past two or three years is that capital within the sector has been available to assist in the restructuring process and so there has not been recourse to the funds provided for by the Exchequer.

Deputy John Perry: That may be the case but it is at the expense of the provision of loans to people wishing to undertake home improvements and so on under the home renovation incentive. In a city like Dublin, the economy of scale is far larger than it is in a small community area. It is important there is recognition and definition of the urban-rural situation *vis-à-vis* the credit unions.

Given that roll-out of the fund will not be until 2016, many credit unions are unable to lend money to people, including the person with a business initiative. As stated, the credit union in Kilkenny funds business. Should further derogations not be provided to credit unions in other areas so as to allow them fund SMEs, which are the backbone of the economy?

Mr. Murray McCarter: The legislation states clearly that the purpose of this fund is restructuring of the credit unions. As stated in response to an earlier question, credit unions that are restructured and do amalgamate tend to be stronger and, therefore, have lending restrictions lifted or lightened as a result. If restructures do take place, which is a voluntary process, the knock-on effect is ultimately stronger credit unions.

Deputy John Perry: What is the projected draw down from the fund by end 2015?

Mr. John Doyle: We notified the Minister within the past six weeks that we did not envisage ourselves utilising the fund. We were not aware of the terms of the fund at that point in time. Having been made aware of the terms, it is our intention to revert to the Minister in the coming weeks in regard to how much we intend to draw down from the fund.

Deputy John Perry: Has the board put together a business plan in respect of the amount it expects to draw down?

Mr. Bobby McVeigh: I have already stated that the board of ReBo is currently assessing the situation and examining what it has in its pipeline, including the possibility of other credit unions being added. When that assessment has been completed, we will notify the Minister and will then have further discussions on that topic.

Deputy John Perry: Would it be possible to provide the details in that regard to the Chairman?

Chairman: The details should be forwarded to the clerk of the committee.

Mr. Bobby McVeigh: The assessment is in progress and the Minister has been notified. He acknowledged my letter on 9 December, stating he is awaiting our final assessment for discussion.

Chairman: The board will keep the committee informed.

Mr. Bobby McVeigh: Yes.

Deputy Paul J. Connaughton: I welcome all of the delegates. Much of what I wanted to address has been already covered. Is there much kick-back from individual credit unions in terms of their not wanting to go down the restructuring route?

Mr. John Doyle: When we started out there was a great deal of misconception of what ReBo is about. Most of our staff, myself included, professional lives aside, were volunteer directors and supervisors in credit unions. From November of last year to the middle of this year we engaged individually with the boards of 323 credit unions and discussed with them what we are about and what we are not about. We are not dictating to credit unions what they should or should not do. We asked them fundamental questions around what is in their members' interests and whether they can currently provide the products and services their members want and whether they will be able to continue to do into the future.

As I said, in the beginning there was a misconception and wariness of the credit union re-

structuring board. The credit union movement now understands what we are about and is, I think, very open to what we are about. They see us for what we are. The voluntary aspect of this touches on everything. We are simply there to work with those credit unions that wish to avail of our services.

Deputy Paul J. Connaughton: Does Mr. Doyle believe there are too many credit unions in the country at present?

Mr. John Doyle: This is a question we get asked at board level all the time. We have no grand plan for the number of credit unions there should be in the country but we are all advocates of restructuring. We believe in restructuring for the reasons outlined. It is not that restructuring is the be all and end all solution for credit unions. My background was in a relatively small credit union. We understand the issues facing them. Restructuring in many instances will give them an opportunity to provide better products, services and infrastructure for their members. That is all we are trying to do, namely, encouraging credit unions that want to move in that direction and working with and facilitating that for them.

Mr. Bobby McVeigh: The Deputy asked a very good question. Mr. John Doyle came on board in 2013. If we go back to the beginning, the Deputy's question is very accurate. When I first came in, at which time we had some seconded staff, I spent probably the first six months dealing with credit unions, the league, CUDA - all the support organisations, ensuring that the purpose of restructuring was to strengthen the credit unions. There was much concern about what ReBo would do and how it would do it. Many of the credit unions, whether I was dealing with chapter officers, the administrators' association or whomever, specifically wanted to know about that. Mr. John Doyle has put it quite succinctly. I made it clear to every organisation I talked to during those first six to eight months, and I travelled the country doing that, that we were here to ensure that credit unions are successful into the future but that they should remember that this is voluntary and incentivised but that it is time-bound. That message has been substantively got across. There are only 64 credit unions in the country that have said they do not want to talk to us. That is not because we have not gone to them. We have written to and called them but the majority of the credit unions now realise that this is an opportunity for them to enhance their services, to be cost effective and efficient for their members, and to ensure that each community will have a credit union on a go-forward basis. The view has changed from one of "stay away from those guys" to one of "let us deal with them".

Mr. Joe O'Toole: We very much appreciate the Deputy's question because we have dealt with that from the beginning. The small credit unions are now dealing with very strict rules of governance which take a good deal of ability and time. They are also dealing with the establishment of new services which also take a good deal of time and ability. They are examining the question of risk management in a way they never had to previously with larger amounts of money. Many of them, having regard to concern for their members, will ask whether they can give their members the best possible opportunity here and they will often ask, in discussion with Mr. John Doyle's team, what their options are. That is the way it begins with a list of things as a top level business plan, followed by a more detailed business plan, due diligence carried out on finance, legalities and human resources and there are related aspects of those. The smaller credit unions will examine this, talk to their members and ask what is the best option for them. It is a very difficult decision in a local area for them to merge but they can tell their members that they will keep the local office, the name will change, it will be run in a more competitive way and they can give them a better service. That is how it tends to happen.

Mr. Bobby McVeigh: To continue the point, we have the example of some of the mergers

that have taken place where the community linkage does not change, the credit union is still there but the services are enhanced. The message that we were given verbally is now in place in these small communities which is what we are about.

Deputy Paul J. Connaughton: I do not doubt that for a second but I imagine the board has made a big play of the fact that this is voluntary and I imagine the delegates are also saying to the credit unions that “we are not here forever”.

Mr. Bobby McVeigh: Absolutely. We have made that very clear.

Mr. John Doyle: If they are not with us within 2015 and they are not merging, they are on their own.

Mr. Bobby McVeigh: I will use the following example. Of the countries I have worked in, be it Poland, Romania, Canada, Australia, New Zealand, this is the only country in which the Government saw fit to ensure this sector survived and survived well and put an incentive in place to do that. I would tell the credit unions that this is a golden opportunity but it is time-bound and voluntary and that they should not leave it to 2016 or 2017 to come to us because we will not be there. It is as simple as that. They know that and we have made that clear. By 31 December 2015, we will be toast.

Deputy Paul J. Connaughton: If there is a credit union with an issue, the board’s job is to help those that are merging.

Mr. Bobby McVeigh: Yes.

Deputy Paul J. Connaughton: That is it. During these meetings if a credit union and its members say that they do not fancy this, that is it.

Mr. Bobby McVeigh: We cannot do anything.

Deputy Paul J. Connaughton: Does the credit union get a call from the Central Bank to say this was a mistake and it will be seeing people from the Central Bank in a few years time?

Mr. Joe O’Toole: It depends on where the credit union stands in terms of their regulatory reserves. As was said earlier, there are only 14 credit unions below the 10% reserve position and they can be helped and about half of those are below the 5% reserve position and those that are below the 5% figure will get a call from the people here.

Deputy Paul J. Connaughton: I come from a rural part of County Galway where some small towns and villages would have a credit union and they have made the point to me that since the crisis happened they have gone from having very lax regulations to having very much over the top regulations and they have been hamstrung with monthly restrictions and all that. I imagine the board’s job is to examine how it can strengthen the sector as much as possible. Their belief is that if the restrictions had not been imposed as severely in the first place, they would still be strong and would not need this. There has been very much a carrot and stick approach, on the basis that the board is here to help them-----

Mr. John Doyle: Credit unions come in all shapes and sizes. They come to us for a variety of reasons. Undoubtedly credit unions engage with us on the basis that they feel overwhelmed. That is very clear. Other credit unions will come to us that have no issues in terms of governance and viability but they see restructuring as something that is positive and that if they go down this route they can enhance what they deliver to their members, but the other reasons are

also true.

Deputy Paul J. Connaughton: I imagine one of the board's key objectives under its remit is to strengthen the sector and put it on a financial footing for the foreseeable future, but the delegates talked about, and other Deputies asked about, a range of other services, and there was a proposal for a merger with An Post and the provision of those types of services. What is the position with regard to that proposal? Is that something to which the board is giving credence as an alternative in the future, or is that so far away from its remit that it is not a priority now?

Mr. Bobby McVeigh: Our remit is basically that of restructuring. On the restructuring component, as I outlined to the Deputy's colleague, a restructured credit union with a large membership, an open or an expanded bond and a large asset base has the ability not only to be compliant with the new regulations but also to enhance its services, and those services in my opinion, and I know I am supported by the board on this on a go-forward basis down the road, can be delivered in a full service financial institution called a credit union which can compete with any bank in the country. That is part of what restructuring can bring. It will not happen next year but we can see from some of the restructured credit unions, particularly those located in small communities, that were only able to offer savings and loans facilities that, through restructuring and becoming part of a bigger entity and without losing the community linkages, they are now able to enhance the services even there.

Deputy Paul J. Connaughton: There is a proposal with the Department of Finance - I think it has come from Limerick - with regard to a possible amalgamation between the credit union movement and An Post. I will not go into this as An Post is not represented here and I imagine it would have to be consulted on this as well. From a rural perspective, in terms of ensuring the viability of credit unions and post offices, do the delegates see a possible synergy between those two entities in the future? I imagine it would need a change in legislation or regulation from the Central Bank. I accept it is not something that is going to happen overnight but where does the proposal stand at the moment?

Mr. Murray McCarter: We met with some of the proposers of the tie-up between credit unions and An Post. It is fair to say the proposal was at an early stage but notwithstanding that, some of the ideas in it were good, both in terms of broadening the product offering and an opportunity to provide synergies between both An Post and the credit union sector. Certainly, there was merit in the proposal but it will also require a meeting with the Central Bank on the supervisory and regulatory aspect and also further details. We welcome the proposal. We are always open to further proposals, but in saying that there is an independent regulator to satisfy as well.

Mr. Bobby McVeigh: I just returned from South Africa in September and there is precedent around the world for exactly that, so it is good to see the talks are happening.

Deputy Paul J. Connaughton: Mr. McVeigh has seen a lot of the world.

Mr. Bobby McVeigh: Too much.

Deputy Gabrielle McFadden: This may have been dealt with in my absence. I am sorry I had to leave the meeting earlier. I got speaking time, which is like gold dust when one is a backbencher, so I had to take it. What is the make-up of the board of ReBo? How many members are on it and do all members take remuneration? What is the breakdown of the expenses paid? Almost €60,000 was spent on legal fees in 2013. What kind of services were received

for the money?

Mr. John Doyle: In terms of the board, the briefing paper gives details of all the board members and their individual expenses. I will outline the backgrounds of the members. The chairperson, Mr. McVeigh, is a former president of the World Council of Credit Unions. We have people from the various representative bodies, namely, the Irish League of Credit Unions, ILCU, from the Credit Union Development Association, CUDA, and the Credit Union Managers Association, CUMA. We also have Mr. Joe O'Toole and we have a number of independent private sector individuals with expertise in insolvency and accountancy.

In terms of the legal fees we incurred in 2013, there is a significant legal cost in the set-up of any organisation. ReBo was set up on 1 January 2013. Approximately €60,000 of legal advice was received in the areas of board governance, staffing and advice was also procured on EU state aid. There was also some legal cost involved in the Newbridge case, as previously discussed.

Mr. Bobby McVeigh: The number of board members was 13 originally but one director has had to resign because of conflict so we are down to 12. The experience is broad and the board is working very well due to the mix of experience.

Deputy Gabrielle McFadden: I suggest there might be a need for a gender quota. There are not as many women as men on ReBo.

Deputy Áine Collins: Or indeed here.

Deputy Gabrielle McFadden: That is true.

Chairman: The Deputies will have to speak to their party leader about that.

Deputy Áine Collins: It is about diversity, it is not about gender.

Deputy Gabrielle McFadden: Some members do not take remuneration. Why is that?

Mr. Bobby McVeigh: Some are not permitted.

Mr. John Doyle: Some members who are already in the employ of the public sector are prohibited from being paid a second time.

Deputy Gabrielle McFadden: I thank the witnesses.

Deputy Patrick O'Donovan: I welcome the witnesses. My brother is chairperson of a credit union and he is a member of ReBo.

Mr. Bobby McVeigh: He is a very effective member.

Deputy Patrick O'Donovan: I thank Mr. McVeigh. My brother is so effective that this is the first time I have had the chance to discuss ReBo with anyone.

Mr. Joe O'Toole: We will understand the Deputy.

Deputy Patrick O'Donovan: My concern relates to what Deputy Connaughton said. The Oireachtas Joint Committee on Transport and Communications, of which I am a member, has done a lot of work on the future of the An Post network, in particular in rural communities. There is no doubt the sustainability of the network will come under enormous pressure. The

reality is that for many communities no financial services will be available in huge tracts of the country in the near future. In recent weeks Ulster Bank announced the closure of branch networks and Allied Irish Banks announced a similar closure of bank networks. In my part of the world, one of the only financial service areas left is the An Post network, which is coming under severe pressure, in a lot of cases by virtue of the age profile of postmasters and the manner in which post offices can be handed on. The only other remaining network is the credit union movement.

To continue on from the point made by Deputy Áine Collins, the age profile of people concerned about credit unions in my constituency is high. That is a worry because many of them want to hand over to the next generation but in a lot of cases young people are not interested. There is a gap between the leadership of the credit union movement at the moment in rural areas and the tranche of people who would potentially be interested.

From the point of view of Deputies representing rural constituencies, I would like to know that in future a suite of financial services would be available to people in rural areas, regardless of their location. I would love to see ATMs available through the credit union movement and Government financial services being transacted in credit unions. Limerick has been mentioned in the media in terms of such a development happening. ReBo has a wind-down date and then it will no longer exist, and the situation will be hanging in the ether and change may or may not happen. In the meantime, An Post is restricted in terms of what it can do with its network. The credit union membership also has restrictions on it. People in rural areas are in limbo in terms of whether they will have a financial service available to them. There is a great opportunity to do more and I would like to see a greater level of urgency attached.

Mr. Bobby McVeigh: Those are very good questions. From the very beginning we have insisted with ReBo that one of our key mandates is to ensure that each and every community has access to a credit union service, whether it be a branch or an ATM that is owned by the credit union system. We believe that the restructuring we are doing will ensure the system can continue and be enhanced.

I cannot comment on An Post. I will hand over to my colleague to answer that question. The Deputy can rest assured that from a ReBo point of view, our intention is that each and every community will have access to a credit union service.

Mr. Murray McCarter: As regards the Deputy's question, as I indicated to Deputy Connaughton, we did meet with Deputy O'Donovan's brother on the proposal. We would welcome any opportunity for synergies from within the An Post and credit union networks. It is fair to say the proposal was at an early stage and therefore we did say that when it is further along the line there would be an opportunity to meet with us again to consider progress. Within the proposal a number of stakeholders was identified and the proposers wanted to discuss the matter with all concerned. We are keen to get feedback once the discussions have taken place. One party was the Central Bank. We referred the proposers to the Central Bank as well because the proposal would require both regulatory and supervisory assistance in that regard.

Deputy Patrick O'Donovan: Has the Department looked at the existing legislative framework to see what legislative change, if any, would be required if there was to be movement in this regard?

Mr. Murray McCarter: I have not specifically looked at the legislation in that regard.

Mr. Joe O'Toole: We are certain that it would require legislative change, although not major change.

Deputy Joe Costello: I welcome the witnesses here, including my old colleague, former Senator O'Toole. He is a member of the INTO and I have always been a member of the ASTI credit union. He has had great time for the credit union movement and what it has done throughout this country over the years.

The board of the Irish League of Credit Unions is currently being restructured following the circumstances that arose.

Chairman: That is the Deputy's own approach, we are getting there.

Deputy Joe Costello: Those are general statements, without going into the particulars or the details.

The situation is very much better than what happened to some of the other financial institutions around the State. The banking institutions just went out the back door and put an incredible burden on the country in terms of what everybody has had to sacrifice over that period. To put this in context, this is modest by comparison.

I wish to ask a general question about money that has been given by the Minister for Finance for restructuring which amounts to €250 million. I am sure that part of this question has been answered already. How much has already been spent and what is the expenditure estimate to the end of 2015? If this is out of proportion to what the needs are, it might create unnecessary fears among the membership generally and could therefore affect the public's engagement with credit unions.

Has there been an increase or a decrease in membership over recent years? Would that indicate whether we have had an appropriate response to the difficulties that were experienced by the credit unions themselves? My understanding is that Newbridge Credit Union was not a member of the Irish League of Credit Unions at all. Is that correct?

My general question concerns the amount that was provided by the State, how much has been drawn down, and the amount that is expected to be drawn down when the winding up, merger and restructuring proceedings are completed.

Mr. John Doyle: As we outlined earlier, we have already passed initial information to the Minister on the fact that we are not going to draw down the full amount of €250 million. We will conclude that exercise over the coming weeks.

As regards the public perception of and confidence in that, I see it as something the public should take great comfort from. The public should be able to appreciate that the sector does not need the full amount. There are enough resources within the sector to solve the vast majority of whatever small issues are within it. As regards how the general public view their own local credit union, therefore, they should take great confidence in that.

Deputy Joe Costello: Can Mr. Doyle put a figure on it?

Mr. John Doyle: I would not like to do that. We are in the process.

Deputy Joe Costello: Has Mr. Doyle a figure up to the present time?

COMMITTEE OF PUBLIC ACCOUNTS

Mr. John Doyle: Sorry. We have drawn down €3.35 million to date.

Deputy Joe Costello: Out of the total of €250 million?

Mr. John Doyle: Yes.

Deputy Joe Costello: So, a quarter of a billion euro was made available and all that has been drawn down to date, since 2012, is €3.35 million?

Mr. John Doyle: It has been drawn down on the basis of need, so we draw it down as we need it.

Deputy Joe Costello: Yes, but a lot of work has been done in restructuring and winding up.

Mr. John Doyle: A huge amount, 50% of the sector.

Deputy Joe Costello: Would it be fair to say that, if 50% has been done, an estimate would be approximately the same again?

Mr. Bobby McVeigh: That is a very good question. Our board has discussed this on the occasion of at least the last two board meetings. We want to err on the side of caution in doing this assessment, knowing exactly what we have in the pipeline for restructuring now, and looking at the possibility of a rapid increase in some activity in the next few months, particularly in the first and second quarters. That is why we are reluctant to say it will be x number of euro, for example, €20 million or €30 million. We will have that completed, however, probably by the board meeting in January. We will inform them, as we have already done, that we are assessing it. In turn, we will have consultations with them.

Chairman: Can Mr. McVeigh also send it to this committee?

Mr. Bobby McVeigh: Yes, we will send it here too. That is absolutely no problem.

When one looked at the fund that was established and the rationale for establishing it at the time, as we would say down in Cape Breton, the “water on the beans” has changed substantially since the initial amount was determined, based on the sector. The resilience of the credit union movement in that timeframe has been tremendous. Full marks must be given to the Credit Union Development Association, the Irish League of Credit Unions, ReBo and the support organisations.

I do not have the specific statistics, but I believe that membership is stable and-or increasing in the sector. They trust the credit unions around this country.

Deputy Joe Costello: I know I will not get an answer to my question, but could Mr. McVeigh put a round figure of three times what has been spent already? In other words, €10 million would be sufficient if 50% has already been restructured and that has cost €3.35 million. Would Mr. McVeigh agree with me that it is unlikely that more than another €10 million will have to be spent? It is a simple question, “Yes” or “No”, in terms of the mathematics of the situation because 50% is 50%.

Mr. Bobby McVeigh: To the Deputy it is a simple matter, but I do not want to appear to be refusing to say “Yes” or “No”. It will probably be in excess of €10 million.

Chairman: Mr. McVeigh’s organisation is carrying out the assessment, so it is unfair to ask for the estimate when they are carrying it out and giving it to the Minister for Finance.

Mr. Bobby McVeigh: It is changing quite rapidly.

Chairman: It is changing.

Deputy Joe Costello: My point was, quite simply, that if we put a figure of €250 million - and that was seen to be a reasonable figure at the time - there could be an impact and a fear created abroad that there is much more wrong and much greater difficulties with the credit union movement than actually is the situation if, in fact, only a tiny fraction of that sum will be drawn down to restructure the credit union movement. We need to get that message clearly out into the ether among the citizenry.

Approximately 2.5 million to 3 million people throughout the country are involved in the credit union movement. They must have confidence in this particular financial institution, which caters for small family savings and loans. That is my only concern about it.

Mr. Ronan Hession: The Deputy's point is an important one. In October 2011, the Minister made a statement on the floor of the Seanad at a time of great uncertainty. There were a lot of international eyes on Ireland at the time, so I would not underestimate the extent to which people outside Ireland still watch what happens with Irish credit unions. They still see it as part of the financial system and, now that the banking system is starting to normalise, they want to know that there is not some unfinished business - especially given the level of penetration in Ireland.

The Deputy asked about membership figures and Ireland has by far the highest penetration of credit union membership anywhere in the world.

Deputy Joe Costello: What is the figure?

Mr. Ronan Hession: I think the penetration rate is over 60%. People in the Irish League of Credit Unions may have better figures than that. By comparison, in the UK it is less than 5%. Credit unions are a big part of the landscape in Ireland in a way they are not in other countries, even where they are popular.

In 2011, when the Minister made the statement, he was working on advice and stress tests that said that under certain scenarios - and there was a lot of uncertainty internationally, including existential issues around the euro and Europe - he would put the finance in place to ensure that whatever happened there would be support to let the credit union movement correct itself and move on.

At that stage, a commission on credit unions was sitting which concluded its work about six or eight months later. That commission's report involved the credit union movement, the regulator, the Department and other independent members, including Mr. O'Toole who has been on this journey over a number of years. The commission's report had a wide range of recommendations, including everything from the sector's business model to stability supports, resolutions, stabilisation and the work ReBo is doing, as well as the regulatory stuff. The important sequence was that constant remarks were being made to the effect that, having seen the position of the banks, who knows what would be in the credit unions.

The Minister addressed this issue in an up-front manner at the time when he decided the Government would provide funding and that the advice received was that, under certain stressed conditions, the issue could escalate into a bigger problem. His position was that the Government would put money on the table first to give people assurance that it was committed to ad-

dressing the issue. The commission on credit unions then issued advice on how best to target this money. Since then, what has emerged in the figures from the Credit Union Restructuring Board, ReBo, and more widely is that the credit union movement had previously taken a number of steps. For example, the level of provisioning for bad debts increased from approximately €200 million in 2006 to €800 million in-----

Deputy Joe Costello: The credit unions have their own savings protection scheme, which would also have been effective.

Mr. Ronan Hession: Exactly, there is a long history of the movement trying to sort out its own problems.

Mr. Joe O'Toole: One of the reasons the restructuring board is being so coy in working with this issue is that we agree with the point that this is a good news story. Members have seen the difficulty we have had in the past hour explaining this good news story. This is the reason we want to manage the release of this. When the figures have been finalised and cleared by the Minister and Department, this will clearly be seen as a very good news story in terms of what it is saving.

Deputy Joe Costello: I have full confidence in the credit union movement. It is extraordinarily important and I am sure members of the ReBo will come before the committee closer to the date. What will be done with that part of the €250 million that is not used? Will it be returned to the Exchequer?

Mr. Ronan Hession: There are two funds of €250 million each. One is held in the resolution fund, while the other is held in the credit union fund. In terms of Government funding, these funds remain within government. The money has not been accounted as an impact on the general government balance. As such, moving €250 million to the fund does not affect the budget arithmetic or the general deficit procedure.

I am guided by the Chairman's opening comments on policy decisions taken by Ministers and so forth. The Minister has a call to make on how he wants to structure the fund once the advice of ReBo has been received on what it will need.

Deputy Joe Costello: With regard to the resolution fund, there is a requirement on the credit unions and other financial institutions to make a contribution. Have these contributions been made?

Mr. Ronan Hession: The Deputy is correct. The resolution fund is a slightly different creature because it is a long-term fund. ReBo and the credit union fund are related to the time bound process. On the resolution fund, contributions are made from authorised credit institutions, a term that refers to credit unions, banks and building societies. We no longer have building societies.

On the level of levy, the Comptroller and Auditor General's figure is that it has amounted to approximately €12 million to date. The overall levy amount on an annual basis is approximately €7 million to the credit union sector and approximately €1 million to the IFSC banks, which will largely pay resolution funds overseas in any case. The domestic Irish banks were not due to contribute to the fund until the end of this year because they are covered by different legislation, namely, the Credit Institutions (Stabilisation) Act 2010, which expires at the end of the year. It is intended that the domestic banks will start to contribute to the resolution fund from next year. Since then, however, there have been developments at European level. As a result of the bank

recovery and resolution directive and single resolution mechanism, these matters will no longer be resolved nationally and the banks will make much larger contributions at a European level.

Chairman: I ask Mr. McCarthy to comment.

Mr. Seamus McCarthy: In regard to the burn rate, if one likes, of the moneys that were advanced, two advances were made, one of €250 million for the resolution fund, which is with the Central Bank, and a second one of €250 million which was advanced 12 months later for the credit union fund. The credit union fund has been used to a significantly lesser degree than the other fund. The Central Bank has pointed out that an extremely small number of credit unions require resolution expenditure. In those cases, we noted one case in 2013 for which about €25 million had been used already and there was a contingent liability for a further €28 million at that stage.

Chairman: Is Mr. McCarthy referring to the resolution fund?

Mr. Seamus McCarthy: Yes. There are a number of other cases to which Mr. Casey referred where funds may be also required. There will be a significant amount of use of that fund. Ultimately, the Minister for Finance is entitled to be reimbursed any funds that are not required from both funds. In fact, over time, all of the funds should be reimbursed to the Central Fund through levies paid to the resolution fund.

Deputy Joe Costello: Mr. McCarthy referred to a levy on the credit union of €5 million or €7 million. Is this figure levied each year?

Mr. Seamus McCarthy: Yes.

Deputy Joe Costello: The other levies on the pillar banks have not yet commenced.

Mr. Ronan Hession: The pillar banks pay fees under the Credit Institutions (Stabilisation) Act 2010, which expires at the end of this year. Under the resolution Act, they do not contribute to the resolution fund until the 2010 Act has been lifted.

Deputy Joe Costello: Will Mr. Hession provide a note on the issue to avoid it delaying us for too long at this point? The operation of the system appears to be rather complex.

Mr. Fergal Power: If I may clarify the amounts that have been recovered, an amount of €19 million has been recovered to date from the industry. Some of the figures discussed earlier refer to amounts recorded in the 2012 and 2013 accounts.

Chairman: From where has the €19 million come?

Mr. Ronan Hession: It is from the resolution fund.

Deputy Joe Costello: The figure does not relate to the restructuring fund.

Mr. Ronan Hession: That is correct.

Deputy Joe Costello: This is a levy on the industry.

Mr. Fergal Power: Yes. I am providing the up-to-date position. An amount of €19.1 million in total has been recovered, of which approximately about €15,000 is outstanding from two credit unions and which we are chasing. We have received €5 million from banks in the two years that the fund has been in activity and approximately €14.1 million from credit unions.

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We anticipate recovering about €7.7 million in levies next year and they will be due with effect from 28 February 2015.

Deputy Joe Costello: The message appears to be that while the credit unions are paying up, the banks are not paying up. Is that the case?

Mr. Fergal Power: Every bank has paid.

Deputy Joe Costello: Have all the levy contributions been paid in full, as required by law?

Mr. Fergal Power: Yes.

Deputy Joe Costello: Are there any subordinated bondholders in the credit union movement which may be seeking some return from the IBRC resolution? Is the credit union movement involved in any aspect of that process?

Mr. Murray McCarter: It is our understanding that 16 credit unions are unsecured creditors in the IBRC liquidation. They rank alongside the State if any funds become available. Our understanding is that the liquidator has written to the credit unions in question asking them to reply by 31 March 2015. Once they reply, funds that become available, if any, will be distributed to the State, the 16 credit unions in question and any other unsecured creditors. The credit unions rank ahead of junior bondholders and would have to be paid in full before any funds would be made available to anyone further down the rankings.

Deputy Joe Costello: Are the credit unions on a par with the State?

Mr. Murray McCarter: They rank on a par with the State as an unsecured creditor.

Deputy Joe Costello: In that case, if a pot of money becomes available and does not cover the combined liabilities owed to the State and credit unions, is there a mechanism in place for divvying out this pot between the credit union movement and State?

Mr. Murray McCarter: If 100% is not available, the funds will be divided evenly among the State and credit unions, as they rank alongside each other.

Deputy Joe Costello: They are exactly equal.

Mr. Murray McCarter: Yes.

Deputy Joe Costello: Is Mr. McCarter able to give us an idea of the quantity of money owed to the 16 credit unions that are unsecured creditors?

Mr. Murray McCarter: I do not have any insight into the amount of money that would be available. The only insight we have is that the liquidator has written to the State and credit unions.

Deputy Joe Costello: Surely ReBo is entitled to receive information on the impairment of assets in the context of the restructuring of individual credit unions. One would want to know how much might be coming back on unsecured bonds.

Mr. John Doyle: It would come across in some of the restructuring proposals and all such proposals would involve very detailed asset reviews. We certainly have reviews of financial statements. At a very general level, credit unions would have provided for this.

Deputy Joe Costello: Everything can hardly be wound up at the end of 2015, with the knowledge that particular credit unions may be sound, if there are unsecured bonds that may not be retrieved in the context of the IBRC resolution. It relates to the funding in the pot. Is it not expected that the witnesses would check with all 16 to see precisely what impairment there might be down the road? There could be impairment now, but we will not know into the future if there is any funding coming through for unsecured bondholders, the State or credit unions.

Mr. John Doyle: We certainly check in the case of every proposal that comes to us.

Deputy Joe Costello: Will the witnesses revert to us with some further information on the 16 credit unions?

Mr. John Doyle: We can do so.

Mr. Bobby McVeigh: Yes, but as Mr. Doyle outlined, if credit unions A, B and C are involved in a restructuring proposal, the complete analysis of the balance sheet for each of them is made in conjunction with the Central Bank. We review all of this. If there are bonds involved and possible amounts to come back, that will all be taken into account on the balance sheet. By this point, there will probably have been provisioning by individual credit unions.

Mr. John Doyle: There may be credit unions within the process that may not want to engage with us. We might not have sight of the information.

Deputy Joe Costello: Is it allowable for a credit union to conceal an impairment?

Mr. Bobby McVeigh: No, there is no concealment. There are 16 credit unions-----

Deputy Joe Costello: I am only talking about information; I am not talking about the restructuring. Surely a credit union cannot be restructured until one knows if there is impairment.

Mr. Bobby McVeigh: The Deputy is absolutely correct, but the 16 credit unions may not be involved in restructuring with the restructuring board, ReBo. There may be only two or three of them involved. If they are, we will certainly know every aspect. We cannot say unequivocally that the 16 credit unions are involved in a restructuring project, as we do not know.

Deputy Joe Costello: Is it not part of the witnesses' function to find out what needs to be restructured? As former Senator O'Toole said, how can a clean bill of health be given to the entire credit union movement? The good news story has to come out, but for the 16 credit unions, we do not know what the level of impairment might be.

Mr. Joe O'Toole: When they come before us, with three credit unions seeking to merge - credit unions A, B and C - there will be a process of due diligence for each of them. The due diligence process will immediately show all evidence of impairment and the information will be taken immediately into consideration and shared.

Deputy Joe Costello: That is all the information I am seeking.

Mr. Joe O'Toole: We do not do this on an accumulated basis for the whole credit union movement; rather, we do it as we deal with credit unions. We are given the information on a strictly confidential basis. That is relevant if a credit union decides not to go further.

Mr. Bobby McVeigh: The key aspect is that they volunteer.

Chairman: They volunteer.

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Mr. Bobby McVeigh: There is a volunteer component involved; we do not have the right to examine the balance sheets of 378 credit unions. We have a right engage in a due diligence process for credit union A, B or C if it has asked us to examine a restructuring proposal. It is voluntary.

Chairman: Does Mr. Casey have a role in that regard?

Mr. Patrick Casey: Once the ReBo restructuring processes are proposed, the regulatory side of the Central Bank considers the combinations from a regulatory approval perspective.

Chairman: What about the cases about which Deputy Joe Costello is speaking?

Deputy Joe Costello: These are the 16 credit unions that are unsecured bondholders.

Mr. Patrick Casey: With regard to the list of those credit unions, the Central Bank would know. As to what the financial impact will be, on behalf of the Department of Finance, it was mentioned that the figures were not available. The impact is not known. Is that not the case?

Mr. Murray McCarter: It is simply a figure that is not known by us at this point.

Mr. Patrick Casey: It is not a figure that can be provided as it has not played out fully.

Deputy Joe Costello: We do not know the number of family credit union members or bondholders we might be burning if nothing comes back to them.

Chairman: We do not know it from IBRC.

Mr. Seamus McCarthy: My understanding is that the original amount of the bonds will be known in each case. It should not be impossible to total the amounts. What we do not know is how much of it will come back. What one can know is how much of it has been impaired at this stage. There are three points - there is the face value of the bonds, the impairment that has been processed by this date and, to be decided and determined in the future, the amount the liquidator will be able to surrender.

Deputy Joe Costello: The Comptroller and Auditor General has put it much better than I could. That is precisely what I am looking for. Can we obtain a note on that matter?

Chairman: Will the information be supplied to the committee?

Mr. Seamus McCarthy: The first two columns could be provided by the Central Bank, subject to any disclosure measure that needs to be taken. It may be an aggregate figure. I presume it will not be supplied on an individual basis.

Chairman: Who can provide the rest of it?

Mr. Seamus McCarthy: The IBRC liquidator.

Chairman: Will the Central Bank give us as much information as it can in response to Deputy Joe Costello's question?

Deputy Joe Costello: I have a final question related to the matter raised by Deputies Paul J. Connaughton, Gabrielle McFadden and others about the possible amalgamation or merger of the Irish League of Credit Unions and An Post. An announcement was made last week by the Minister for the Environment, Community and Local Government on the role credit unions

might play in the delivery of social housing. I read a response carried in the *Irish Examiner* from Mr. Martin Sisk, president of the Irish League of Credit Unions, indicating that it intended to play a full role in the development of the economy and was prepared to invest in the region of €1 billion in respect of the €3.8 billion social housing strategy announced. This seems to be quite a departure for credit unions. Do they have the assets, capital and reserves to do this because this is a relatively short-term development and everything must be concluded before the end of 2018 or 2019? As mentioned, what legislative changes would be required to allow that investment be made in what is clearly a Government strategy? I presume the funding is safe, but at the same time, an enormous amount of capital and reserves will be invested in a particular project.

Chairman: The Department of Finance and Mr. McVeigh dealt with that question earlier.

Deputy Joe Costello: The Central Bank would no doubt have ideas about this, particularly the strict limitations on lending. The maximum is €5,000 per month. I do not know if that is adequate in the case of small and medium enterprises. There is to be a new expansion when we are still involved in the restructuring process; therefore, is it a viable option?

Mr. Ronan Hession: It is a very topical question and there is ongoing discussion with colleagues in the Department of Finance and the wider range of groups in the social housing sector. There is a thicket of agencies, Departments and initiatives in the area. For some time credit unions have been expressing an interest in using some of the surplus funds they are holding on low yield investments in banks in some form of State-sponsored project consistent with their ethos and community focus. As far as I am aware, there have been more direct discussions between the credit union movement and some players. As I do not know the details of the social housing initiative, I will not speculate on how it will play out, except to say it seems to be something that resonates with the credit union ethos. It could have the potential to allow credit unions to broaden their investments.

The Deputy specifically asked about the legislative point. This came up earlier. One of the concerns the credit union movement raised about the recent reform legislation was that the type of investment restrictions that were allowable under the Central Bank regime, would not permit this type of thing. The way it happens is that the high-level principles are in the legislation and the Central Bank then goes on to spell it out in its more detailed regulatory requirements. There was an amendment made at that time to address that point to ensure if there were viable opportunities for credit unions to engage in things such as social housing, there would not be a legislative block. A change was made to try to accommodate that. The point I made to Deputy Dowds, who raised this in the early stages of this session, was that there is interest from credit unions and other players in putting money into social housing. The nut to be cracked is how to get the return - how to get their money back - if it is to be an investment.

Deputy Joe Costello: Does the Central Bank have any comment on it?

Mr. Patrick Casey: I do not, to be honest. I think I mentioned earlier that for operational separate and discrete reasons, I am based in a resolution area. I am not-----

Deputy Joe Costello: I am asking about it because I think it is a great idea if it can be done. Money would be safe and so on.

Mr. Joe O'Toole: In terms of how it could be done, we mentioned earlier that the business plan for every credit union depends on two sources of income, one of them being investment

income. It does not need a change of legislation to allow them to keep their reserves in, let us say, a State-guaranteed fund for social housing where they will get a better rate of return than the 1% they are getting at the moment. There are simpler ways in which it could be done. I think the decisions would be at Central Bank level because as Mr. Hession has said, the legislation in its general principles allows for an approach in that direction.

Deputy Joe Costello: I certainly agree with the Irish League of Credit Unions and An Post coming together. There is a synergy there that would be very valuable throughout the country. There would certainly be a considerable overlap of membership and indeed an increase. The whole would be greater than the two individually.

Chairman: I declare an interest. I am a member of my local credit union and a great supporter of the movement. Mr. McVeigh spoke earlier about the services being delivered through the credit unions to their clients - customers.

Mr. Bobby McVeigh: Members.

Chairman: Members. Do the credit unions subscribe to that? Do they agree that is the direction in which they want to go? Do they accept the vision Mr. McVeigh set out? What is the difference between a bank and an entity that delivers banking services, as Mr. McVeigh described it?

Mr. Bobby McVeigh: These are good questions.

Chairman: They are all good this morning.

Mr. Bobby McVeigh: I hope the answers are just as good. Each credit union, because it is autonomous, member-owned and member-driven, will determine the services it should provide to its members. As I see it, as we look to the future, the members, particularly if we target the younger members in the 20 to 35 age group, are demanding more services. If one looks at the share of wallet that a credit union now has, it is small in comparison with what it could be because there are services from a financial institution that they cannot get at the credit union. No matter whether one calls it SACCO in Africa, they are credit unions and they are financial institutions.

They should be looking at and determining the needs of the members and attempting to provide those services, but once again, because they are all independent, they in turn have to make that determination. If they truly are going to expand their membership and particularly serve as a niche for 20 to 35 year olds, then in my opinion they are going to have to expand services. However, as I say, because it is member-owned and member-driven, it becomes an individual credit union decision. My experience tells me that as the membership grows and as their bonds become open bonds as opposed to closed bonds, they will be in a better position to add new services, enhance what they have and become more cost-effective and efficient. That is that component of it. That is a vision I have for the credit union system in Ireland.

As I said, I know what credit unions have done for this country, whether it is individual families, communities or whatever, and the important role they play. As I think Mr. Hession has suggested, 60% of the population belongs to the credit union movement. I have been all over this country for 20 or 25 years and I can tell the committee that when I talk to taxi drivers or people running farms or small businesses, everybody has been touched by this credit union system. From ReBo's larger vision of restructuring, we want to ensure that what we can do from a restructuring point of view is enhance their ability not only to provide additional services

but to survive and thrive in this economy.

Chairman: Does that put them in competition with the banks then?

Mr. Bobby McVeigh: Yes, but that is not a problem-----

Chairman: That is okay.

Mr. Bobby McVeigh: -----because competition is good and the credit unions are well able to handle it when they get into that particular area. This has been my experience in the Canadian system. We have credit unions in Canada, which goes back to the question that if one is big, then one is a bank. That is not true. Big does not mean bad. In fact, their ability to do the social and community links is enhanced because they are bigger and they have more profit to share with their members and the community. The difference is as simple as this: the philosophy, the principles and the community linkages do not change; they become enhanced. That is what differentiates the credit union system and credit unions individually from banks.

Chairman: That will require a change in legislation.

Mr. Bobby McVeigh: At this point, the Chairman is correct. From what I see of the legislation to provide certain services, it would require legislative changes, but to me that is not a big deal.

Chairman: ReBo has interviewed 323 credit unions. What is Mr. McVeigh's view arising from those interviews? Do they buy into this idea of a bank in the way described by Mr. McVeigh and, if they do, has ReBo drawn up a general profile from its interviews? Is Mr. McVeigh encouraged by that to deliver some form of comment to the Department of Finance and the Central Bank about what is required, even if that goes beyond Mr. McVeigh's remit? ReBo has done the exercise and has the information. Mr. McVeigh knows the credit unions' desire to extend into a general range of banking services if each credit union should decide that. Therefore, arising from that exercise, would it be worthwhile for Mr. McVeigh to make that information known in a general way to the Central Bank and the Department of Finance?

Mr. Bobby McVeigh: I would suggest that at the end of our term this would be a discussion our board will have. The Chairman has made a suggestion based on what we have seen in the credit unions we have worked with. One is still getting some credit unions that basically are saying they do not know if they can do all these services or that they do not want to become a bank. There is still some selling to be done on that component of it, but the ones that have restructured see the benefits. The communities have not lost their credit unions. These credit unions have additional services that they did not have the month before the restructuring. It is a hand-in-glove situation we are in and a step-by-step process.

I would envision ReBo at the end of its term being able to provide a report to Government stating that the restructuring has been successful. The change of bond and enhancing services may require some legislative changes, which should be considered. There are many examples of legislation in various countries that can be tapped into.

I do not want to be accused here. I will give one example. I was asked to fly from Cork to Belfast to talk to some legislators about mortgages because some of the credit unions there had surplus funds with which they thought they could provide mortgages, which to me is a good thing, by the way. When the interview was all done and everything, the headline in the press the next day was: "McVeigh says credit unions are going to provide mortgages." McVeigh did not

say that. However, he did say it would be a good thing if legislation were to permit mortgages to be provided by credit unions that are in a position to do it.

Chairman: Mr. McVeigh has obviously travelled a great deal and amassed some experience in this area. Will he indicate the countries at which we should look in the context of legislation designed to facilitate that type of development within credit unions, particularly in view of his knowledge of the structure of credit unions here?

Mr. Bobby McVeigh: I would strongly suggest - I can arrange this without any trouble - that members visit Canada to examine the legislation put in place there in respect of the system. This legislation provides for our credit unions to be full financial service organisations, with strict regulatory compliance and supervision applying. As a result of the fact that the leagues are regulated federally and the credit unions are regulated provincially, the Government of Canada does not change legislation without consultation with the credit union system. In my view, this is a good thing. That consultation could take place and I would be happy to arrange to have some Members of the Dáil consider what is in place in Canada.

Chairman: Would we have to travel to Canada to examine the system?

Mr. Bobby McVeigh: That would be no problem. It probably would be good if Members of the Dáil came over.

Chairman: That is a good answer.

Mr. Bobby McVeigh: We are seeking to put together a symposium, which will probably be held in March, whereby credit unions will be invited to share their experiences with regard to some of the mergers that have taken place in the country. It is also proposed to invite people from other jurisdictions who have gone through the experience of both restructuring and changes to regulation. Everybody in Canada moaned about regulation and supervision but nobody did so after 2008 because we did not have a problem.

Chairman: In the context of what our guests have set out in terms of their vision of banking, I am of the view that the structure of the credit union movements is suited to what is proposed. Our guests are involved in a process of engagement with all of the credit unions with the exception of the 64 to which reference was made. That process is due to conclude in 2015 or 2016 and, as Mr. O'Toole is aware, legislation in this country proceeds at a slow pace. Is there an opinion within either the Central Bank or the Department of Finance in respect of this matter which would feed into any policy the Minister may seek to adopt? Does either entity have a view on this? Would either like to see what we are discussing develop?

Mr. Ronan Hession: The Minister has often articulated the view that there is potential for credit unions to grow and do new things while remaining as they are currently constituted. One of the key aspects of this matter is the fact that banks must provide services to their customers and keep their shareholders happy, whereas in the case of credit unions, the customers are the shareholders and it is they who own the credit unions. As a result, there is not that division. The big thinking behind the commission report was to try to evaluate how credit unions could be placed on a stable basis and allowed to grow without changing their fundamental ethos. That is a very large communication point in the context of credibility. The commission report was fairly clear in indicating that there is not the scope for credit unions to do new things. They need to think carefully about the risks that go with this. There is also an issue of scale because credit unions in jurisdictions such as Canada are very large. To some degree, the restructuring

will see to it that a number of credit unions will reach the level of sophistication in respect of systems, investment and economies of scale that will permit them to do new things.

In addition, a tiered regulatory approach is supposed to be followed. In other words, rather than treating all credit unions on the same basis, there will be a standard level of regulation and this will be somewhat more straightforward for the smaller savings-and-loans credit unions. The larger and more advanced operations which have the capacity to take it on board may be able to become involved in a wider variety of activities. The blueprint is there. If there is legislative change, I am sure that is something the Minister would be open to considering. We carried out a major review of the legislation - as part of the commission process and under the 2012 Act - to try to capture everything about the commission report which highlighted the need for legislative change and in order that we would not be obliged to adopt a piecemeal approach to trying to fix the position over time.

Those from the regulatory unit of the Central Bank are not present at this meeting but I can hear their voices in my head saying it is okay in principle but can it be done safely?

Chairman: Are those voices loud or are they just speaking in whispers? How big is the obstacle?

Mr. Ronan Hession: I do not think there is an obstacle. It is a question of assessing whether it is possible for the credit unions to get involved in these things without jeopardising their members' savings. Do they know what they are doing, do they understand the sectors in which they would become involved and do they have the requisite governance risk systems? If the concerns in respect of these matters can be put to bed, then credit unions would be able to put a reasonable proposition on the table.

Chairman: What is the position of the Central Bank in respect of this matter?

Mr. Patrick Casey: I echo what Mr. Hession stated. The tiered regulatory approach, which is one of the things suggested by the Commission on Credit Unions, would proceed on the basis of not treating all credit unions in the same way. Instead, there would be tiered structures in respect of them. We put out a consultation paper on that matter last year and the majority of respondents indicated they did not want a tiered approach to be introduced at this point because so much change is taking place within the sector. This matter may arise in the short to medium term but when consultation took place, the credit unions did not want changes either within the movement or in terms of how they are treated.

Chairman: Would it be possible for us to see the consultation paper or the results of the process relating to it in order that we might obtain an idea of how the Central Bank approached the matter?

Mr. Patrick Casey: Yes.

Mr. Joe O'Toole: The question the Chairman asked about services and expansion was raised at the commission with the regulator on many occasions. As Mr. Hession stated, the legislation allows for the development of services. As I understand it, the position of the Central Bank continues to be that if it is happy with the regulatory regime, it will not block any expansion of services.

Chairman: That brings me to the fund and the question of engagement with the credit unions. I understand the regulatory position, the platform that is being created and the need for

it. Does the board provide training to staff in respect of ICT and other issues as credit unions are amalgamated? Is the latter contemplated under the funding for the operation? Is such money paid out by the board and is it expected to be repaid or is it paid out as part of the attraction of the amalgamations?

Mr. John Doyle: In the context of all mergers of credit unions, we provide post-implementation and post-restructuring support. Essentially, we go back to them after a period to discover whether they have delivered and whether they have achieved what they are seeking to achieve. We provide financial support to allow them to achieve their mergers. This support relates to the costs directly associated with the merger process. We are not specifically providing financial support for them to rebuild their infrastructure.

Chairman: Is that financial support repayable?

Mr. John Doyle: This goes back to the issue of incentivisation. One of the core recommendations from the commission was that any restructuring had to be incentivised. Essentially and in the context of a very specific range of costs, we are taking 50% of the costs in very particular circumstances.

Chairman: I ask this question because now that the board is engaging with them, is it not time to train them in such a way that it would be directing them towards Mr. McVeigh's vision?

Mr. John Doyle: They generally direct themselves in that regard. The overwhelming evidence from our engagement with 323 credit unions - the Chairman is correct when he states that these are all individual entities - is that some want to remain-----

Chairman: Are the majority of them anxious to go-----

Mr. John Doyle: Absolutely.

Mr. Bobby McVeigh: To move forward.

Chairman: On the terms and conditions that were agreed two weeks ago-----

Mr. John Doyle: We did not-----

Chairman: They were given to the board. From where did they come? Did they originate in Europe?

Mr. Murray McCarter: Essentially, as it is an EU competition, those terms would be agreed with the European Commission directly.

Chairman: So they were issued two weeks ago.

Mr. Bobby McVeigh: Things have been a little slow.

Chairman: Mr. McVeigh can say that again. In terms of what is happening in credit unions currently, with the Central Bank and the Department of Finance to a degree, and possibly the regulator who is not present to answer, if one takes a loan of between €6,000 and €10,000, there is an inordinate amount of red tape that one has to go through to get loans. I have heard that from individuals and families and even small businesses where it applies. That is not what the credit union is about. If either the Department of Finance or the Central Bank - or the regulator when someone in that office reads the transcript of the meeting - could do something to lift some of the red tape and allow discretion at branch level, it would help enormously the local

economic situation. Could the witnesses from the Department of Finance or the Central Bank indicate how long it would take to restore the flexibility they once enjoyed and which they did not abuse, now that we are seeing a little bit of blue sky after what happened since 2007, even if it is credit union by credit union?

Mr. Bobby McVeigh: I may be jumping in here when I should not, but I think that is a question for the regulator because compliance is an issue in terms of the safety and soundness of the members' money. That would have to be assessed on an individual basis and the regulator would be in a better position to answer the question.

Chairman: ReBo had this conversation with 323 credit unions.

Mr. Bobby McVeigh: Yes.

Chairman: The Central Bank has its own knowledge on all of these matters. The Department of Finance is everywhere and it knows the situation. On a credit union by credit union basis, because of the positive effect it can have in local communities trying to recover, is it not time to look at the merit of lifting some of the red tape to allow the flexibility the credit unions once enjoyed, without going too far from the regulations in place?

Mr. Ronan Hession: There are regulatory requirements that are not proposed directly by the Department of Finance. We have spoken to the credit union movement previously about whether there is potential for a smaller, simpler project. The average loan size of €6,000 has been creeping up over the years. A report was done by the Central Bank on the licensed moneylending sector and it showed the average loan in that context is about €500 to €600. There is a question about whether there is scope for credit unions to package something a bit simpler and smaller to mop up some of that business. Not everyone needs €6,000. Not everyone needs to get his or her house repaired or to buy a car. Often it is a case of borrowing money to get through Christmas, a communion or other small event. Perhaps there is scope for credit unions to be able to package something that is a bit simpler for people who do not have a need for €6,000 but who want €500 or €600 and they are intimidated by the prospect of having to produce six months' worth of bank statements, pay slips and so on.

Chairman: I am interested to hear Mr. Hession say that, because there is a need for people to borrow €100 or €500 and the licensed and unlicensed moneylenders are causing huge problems in communities. The only thing that kept them at bay over the years was the credit union. Now that people cannot access the type of small money they want to get out of trouble, that is causing enormous trouble in communities around the country. The Central Bank and the Department of Finance or whoever else must examine the situation and take out the time blocks in dealing with the situation. It could be the case that it is the credit union movement that needs to do it but something needs to be done. The sum of €6,000 does not get one very far if one is putting on an extension to look after an elderly member of the family or doing other work that is required urgently. One will just not go through the paperwork required. Some people do not have the paperwork that is sought. They rely not so much on discretion, but on the knowledge-based discretion that can be applied. As Mr. O'Toole said, if one got money to paint the front of one's shop, it is quite possible that the credit union staff would see that the shop has been painted. Loans must be provided in a far tighter timeframe than would usually apply in these cases. We have gone overboard with regulations. I am pleased Mr. Hession mentioned moneylenders. I urge whoever is responsible for taking the initiative to do something in the interests of the people who are affected.

COMMITTEE OF PUBLIC ACCOUNTS

A total of 64 credit unions did not volunteer. What is the view on them? Is it important that they would be encouraged to volunteer? Does ReBo or the Central Bank have information on them in terms of why they have not volunteered, be it good or bad?

Mr. Bobby McVeigh: The 64 credit unions in question have been contacted either by mail and-or by phone and they have taken the decision as outlined. It is a voluntary component of ReBo. We also consulted with people in the Central Bank on the matter. They are now cognisant of the 64. We have said that if the Central Bank can assist or it thinks we can do something different we are happy to help. We do not want to just leave 64 credit unions out there who do not want to talk to us. We want to do everything within our power to talk to them. From day one, the simple question I have asked of the manager and chairman of the boards is to go back and have an honest discussion with the board and look at where the credit union will be in three years, five years or eight years' time and establish whether it will be viable. We say to call us if we can help because we believe we can help. We tell people to be objective and to analyse their operation and to see where they will be in three to five years. Those 64 may not be involved but we are not just ignoring them.

Chairman: ReBo is working on it.

Mr. Bobby McVeigh: You got it, Chairman. That is exactly right.

Chairman: My final question relates to the fact that half of credit unions are under lending restrictions by the regulator. How does ReBo influence the lifting of the restrictions?

Mr. Bobby McVeigh: Some of them are lifted through restructuring. It depends on the individual credit unions involved in restructuring but one or two of them could have restrictions that could be lifted through the restructuring process.

Chairman: Do individual credit unions decide?

Mr. Bobby McVeigh: We work hand in glove with the registrar's office. It imposes the restrictions so it must lift them. I have asked the question directly as to whether the lending restrictions are imposing difficulties on the majority of credits unions that have them. I have been told that the majority of the loans in those credit unions with restrictions are below the cap that has been imposed.

Chairman: That brings our hearing to an end. I wish to make an appeal to everyone in both the public Gallery and the witnesses from the Central Bank, the Department of Finance, ReBo and the Irish League of Credit Unions. My experience of credit unions is that they are a hugely important part of local communities. Everybody agrees that is the case. A significant number of individuals and businesses are not getting loans from banks, which do not service the local community in the same way as a local credit union. The witnesses from the Central Bank, the Department of Finance and ReBo should do what they can. We should do that to allow the credit unions to play the part they actually could play if certain restrictions were lifted, assistance given or whatever. Along with the witnesses, I would say to the 64 credit unions that they should participate. This is a good development. We are into a new regulatory challenge in this country and we have to face up to it, but we must be realistic about that regulatory challenge in that one size does not fit all. We need to get it right. I appeal again to those involved because, with regard to licensed and unlicensed moneylenders, the credit unions are the only ones that stand in the gap to assist the person in trouble. I wish the witnesses well with their work and I would encourage the regulator to act swiftly regarding the relief that is necessary in

the movement.

Mr. Bobby McVeigh: Before the Chairman adjourns, I want to thank the Committee of Public Accounts for inviting us here to explain some of the actions we have taken and what we are about. I also want to mention the co-operation we receive from the ILCU, the Credit Union Development Association, CUDA, the Registrar and the Central Bank. We are committed to seeing these credit unions in every community and enhancing the service to make it more cost-effective and efficient, as I have said many times. Knowing the system as I do, and what it has done for the people of this country and why it was started - not unlike the one in my own coal-mining community in Cape Breton - I, along with my board, can see a very bright future with the changes that are taking place.

Chairman: Deputy Collins would like to speak, and I am anxious to facilitate her because we have now reached the appropriate gender balance. We have a 50-50 balance of members-----

Deputy Áine Collins: I am glad the Chairman noticed.

Mr. Bobby McVeigh: We do not have it, but you do not have it either.

Deputy Áine Collins: That does not mean to say it is right, but we will not have that conversation.

I ask the clerk whether we invited representatives of the ILCU to come before the committee today.

Clerk to the Committee: No, Deputy. We invited in the account holders on the Comptroller and Auditor General's list. We could have-----

Deputy Áine Collins: I know there was not anything-----

Clerk to the Committee: No, but in the normal course-----

Deputy Áine Collins: -----and I am not here representing them, but if we are having a discussion with the industry, it would have been nice to have the people representing it here.

Chairman: It was left to the members, prior to the issuing of the invitations, to suggest that they be extended to the League of Credit Unions in this case.

Deputy Áine Collins: I have a brief question, although I do not know if the regulator, Mr. Doyle or whoever can answer it. Are credit unions allowed to lend money to small businesses? We know it is happening, but are they legally entitled to do it?

Mr. Patrick Casey: To be honest, I am not familiar with the rules in that regard.

Chairman: In light of what Deputy Collins said - it is a valid point - we will send a transcript of the meeting to the ILCU and ask it to make a submission, because, as a public accounts committee, we will be making our report or submission to the Minister in due course.

Deputy Áine Collins: That would be helpful.

Chairman: We will do that, and hopefully the league will respond comprehensively.

Deputy Áine Collins: Thank you.

Chairman: I should finish the business of the meeting by disposing of the appropriate-----

COMMITTEE OF PUBLIC ACCOUNTS

Mr. Bobby McVeigh: If I may add something, when I mentioned the co-operation from the league, CUDA and the various sectors, including the Central Bank and the Registrar, I also intended to say the Department of Finance.

Chairman: They are very, very important, Mr. McVeigh. Is it agreed to dispose of the Credit Union Fund Account 2013, the Credit Institutions Resolution Fund Account 2013 and the Credit Union Restructuring Board Account 2013? Agreed.

The witnesses withdrew.

The committee adjourned at 1.25 p.m. until 10 a.m. on Thursday, 18 December 2014.