

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

### JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

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*Déardaoin, 5 Deireadh Fómhair 2017*

*Thursday, 5 October 2017*

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Tháinig an Comhchoiste le chéile ag 9.30 a.m.

The Joint Committee met at 9.30 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Pearse Doherty,	Paddy Burke,
Michael McGrath,	Rose Conway-Walsh,
Paul Murphy.	Gerry Horkan,
	Kieran O'Donnell.

Teachta / Deputy John McGuinness sa Chathaoir / in the Chair.

*The joint committee met in private session until 10.13 a.m.*

### **Scrutiny of EU Legislative Proposals**

**Chairman:** I will now deal with No. 7, which is scrutiny of EU legislative proposals. Before we proceed with the business I wish to record the decision taken by the committee on EU legislative proposals. The committee agreed that COM (2017) 331, a proposal regarding the supervision of central counter-parties and COM (2017) 343, a proposal on a standardised pan-European personal pension product, warrant further scrutiny.

The committee agreed that the following warrant no further scrutiny: COM (2017) 270, COM (2017) 271, COM (2017) 288, COM (2017) 314, COM (2017) 400, COM (2017) 353, COM (2017) 375, COM (2017) 408, COM (2017) 410, COM (2017) 421, COM (2017) 426, COM (2017) 451, COM (2017) 540 and COM (2017) 541. Is that agreed? Agreed. Full details will be published on the website.

### **Banking Sector in Ireland (Resumed): Ulster Bank**

**Chairman:** I welcome Mr. Gerry Mallon, Ulster Bank chief executive officer, and his colleagues. Before I ask Mr. Mallon to make his opening statement I must draw attention to the fact that by virtue of section 17(2)(1) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the Chairman to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I now invite Mr. Mallon to make his opening statement.

**Mr. Gerry Mallon:** I thank the committee for inviting us to meet with it to discuss matters relating to the banking sector in Ireland.

First, I will introduce myself and my colleagues. I am Gerry Mallon, chief executive officer of Ulster Bank Ireland, designated activity company, DAC. With me today from Ulster Bank DAC are Paul Stanley, chief finance officer, Eddie Cullen, managing director, commercial banking division and Andrew Blair, head of customer debt solutions.

In my opening statement I would like to update members on the progress we have made since we last met with the committee. I will describe some developments we have implemented across a range of services and products to improve what we do for our customers. I will provide an update on the tracker mortgage examination and the progress we are making towards resolving that issue and I will also provide an update on Brexit preparations.

Ulster Bank is a strong bank with a long history in the Irish market and a loyal customer base. We have provided banking services in Ireland for 180 years so far. We are the third largest player in the Irish market and we want to grow our market share. We are the only systemic bank operating in the Republic that has an overseas parent. Together with our parent Royal Bank of Scotland, RBS, we are developing and investing in a long term strategy for the future of Ulster Bank in Ireland.

Our half year results published recently show that we are making some good in progress in building a more sustainable, safer and stronger future. Comparing the first half of 2016 to the first half of 2017 we have increased our operating profit and reduced our operating expenses. New lending has increased by 11%, risk weighted assets have reduced by 17.7% and customer deposit balances have risen by 10.3% compared to the first half of 2016, supporting a reduction in the loan to deposit ratio.

Our conduct and litigation charges were €39 million in the first half of 2017. This charge reflects a provision for remediation and project costs associated with legacy business issues where we believe errors may have occurred.

In the year to June of this year we saw an 11% increase in lending to personal and business customers. We continue to see year on year growth in new mortgage lending and are targeting to lend approximately €1 billion to mortgage customers in 2017. I will provide members with more details on our mortgage services shortly.

For business customers we saw strong performance in new lending, which reflects a positive response to initiatives such as our export finance roadshow with the Irish Exporters Association, the expansion of our partnership with the Strategic Banking Corporation of Ireland, SBCI on agri-business, and the revamp of our Business Achievers portal and networking hub. Business Achievers is a new free digital business hub powered by Ulster Bank that displays our continued support for business customers in the Irish market.

The ways in which our customers bank with us are changing radically and in the first half of 2017 we introduced a number of changes to reflect this. In light of the rapid migration from branch transactions towards digital methods, we introduced two new customer payment systems, Apple pay and android pay, in the first half of this year. These services, as committee members probably know, allow customers to pay for goods and services simply by waving their mobile phone over a contactless payment terminal, with security provided by a fingerprint or a code. We want to provide banking services where and how our customers want them. It is not simply the case that a new generation of young urban customers want to bank exclusively online while older rural based customers want to be able to call into a local branch every day of the week. Customers want and need a combination of both. They want fast, convenient, secure services for their day-to-day banking but they need a very different service for those significant milestones in their lives that they reach with the assistance of their bank.

Our branch network remains an important channel for customer engagement. We announced in March that we would close 22 of our 110 branches in 2017. Closing any branch is a difficult decision which we do not take lightly, but it does not end our local presence in these areas. We are improving our retail network by spending €6 million on upgrading and refurbishing branches, extending the services available through An Post for our personal and business customers and introducing other improvements such as fast business cash lodgements, bulk coin deposits and cash and cheque deposit machines. We are adding two extra banks on wheels to serve rural locations in addition to our three existing mobile banks and appointing six

new community bankers to support vulnerable customers and help customers to move towards online and mobile banking channels.

In the past two years, Ulster Bank has strengthened its links with the financial technology startup community through its association with Dogpatch Labs in the Custom House Quay centre, for example involving mentorship programmes for technology startups and hackathon events. In the past month, Ulster Bank has announced Ireland's first open application programme interface in the banking sector. This move will help to take open banking in Ireland from concept to reality. To describe this concept simply, it allows one's bank to be linked with other services. It is similar to the sharing of information that has allowed services like Hailo and MyTaxi to transform how we use taxis. It is revolutionary, it is happening globally and it will be happening here. The application programme interface has been developed using market-leading technology from Ulster Bank's parent company, RBS, and will give approved third parties limited access to a customer's account balance and transaction history if the customer requests it.

RBS and Ulster Bank invest heavily in fraud prevention and detection systems to keep our customers' accounts and information safe and secure. Training on fraud prevention and detection is mandatory for all our employees, including those who serve our customers. We recently appointed a new community protection adviser to support our customers and front-line teams on a range of issues, including frauds and scams. We continue to benefit from RBS's investment in fraud surveillance and its various partnerships; for example, with the UK National Trading Standards as part of the "friends against scams" initiative. This offers up-to-the-minute training for customer-facing teams and helps us to spread the scam protection message to more of our customers and their families and friends.

I would like to make some brief points about mortgage services. Helping our customers to buy their own homes is one of the most important services we provide. We have put a considerable amount of work into improving our mortgage services for customers by simplifying processes and reducing the average time spent on an application. We have introduced a new mobile mortgage manager service, which offers customers the choice of meeting mortgage advisers in their own homes at a time that suits them. We offer free valuations on new mortgages. We provide a €1,500 legal fee contribution to provide real help with the cost of moving home. We have steered away from large cashback offers. Instead, we focus on consistently offering competitive headline rates. We offer some of the most competitive rates in the market. We have a fixed rate that is as low as 2.6% and we have 13 different variable rates that start as low as 3%. We also offer a 3.7% discounted rate against our standard variable rate of 4.3% for customers with an income-mandated current account.

We do not offer any deal to a new customer that we are not prepared to offer an existing customer. We have a good proposition that helps existing customers on tracker rates or in negative equity to move home. We are always working to improve our customer proposition. We leverage the wider capabilities from RBS to do this. We recently amended the overpayment allowance on fixed rate products to 10% per annum. This allows customers to avail of the certainty of a fixed rate while having more flexibility to pay down the mortgage quicker. As one of Ireland's leading commercial banks, we continue to play an important role in supporting the recovery of the housing market in Ireland. This includes the provision of financing for new housing developments and accommodation sectors such as purpose-built student accommodation market to help meet current and future housing demands. Over the last two years, we have committed financing on schemes that will deliver in excess of 1,200 new houses, as well as

financing student accommodation to deliver over 1,000 new student living units.

I would like to report briefly on the progress that has been made in the tracker mortgage examination. The Central Bank is carrying out an industry-wide review of tracker mortgage-related issues across all Irish banks. As part of this review, lenders including Ulster Bank were required to review their entire tracker loan books to identify customers whose contractual entitlements we failed to honour, or in whose cases we did not live up to the standards of full disclosure and transparency that we and the regulator would like to have seen. We are required to work through four phases under this examination. The first phase, which involved the development and submission of detailed plans, is complete. The second phase, which involved gathering information, reviewing and submitting a report, was submitted in line with the agreed Central Bank deadline of March 2017. The third and fourth phases are running concurrently. The third phase, which involves calculating the level of redress and compensation, is ongoing. The fourth phase, which involves the implementation of the redress programme, is also ongoing.

Our second-phase report, which was submitted to the Central Bank in line with the agreed deadline of March 2017, is being reviewed by the Central Bank. Until the review has been concluded, the second phase will be considered to be ongoing. Therefore, the number of affected customers may be subject to change. When the second-phase process was under way last December, we told the committee we had identified 2,000 affected customers. The completed second-phase report has identified a total of just under 3,500 affected customers. In line with the process defined by the Central Bank to stop further harm, Ulster Bank has contacted and returned existing customers to their tracker mortgages. This has not been done in the cases of 57 customers because the original tracker rate would result in a net increase in monthly payments in this small number of cases.

Ulster Bank has begun the third phase, which involves redress and compensation, and the fourth phase, which involves the implementation of the redress programme. The number of customers remediated so far is small. It is just under 40 today. We are starting the process very slowly to test all the calculations for each customer. We are building up a process to have a much more intensive model for calculation, contact and remediation. The process will take a number of months. It will be well into 2018 before all cases are addressed. Customers will then have a further 12 months to appeal if they are unhappy with any aspect of our redress and compensation payment. We have not concluded the process of establishing the number of customers for whom the actions of the bank caused the loss of their homes. We have identified a small number of customers for whom this is the case. We have made contact with them to begin the process of redress and compensation. The numbers are currently low but that could change as we work through the process. I will not be able to confirm the final numbers until we have completed the third phase.

In line with the Central Bank guidelines, we have put in place an independent process to support customers who wish to appeal. Two independent appeals panels have been established, each of which has a qualified barrister or solicitor as chair, an accountant or actuary and a customer voice representative. The role of the panels is to assess customer appeals in a timely way and determine whether additional redress is required. For reasons of efficiency, one panel is dedicated to complex appeals. An independent secretariat to support administration and customer communication has also been established.

I will turn now to Brexit. Ulster Bank continues to support its customers during the period of negotiations between the UK and the EU. As part of RBS, which is a business that focuses

on the UK and Ireland while maintaining a good presence in Europe, we are working through the various exit scenarios. We have contingencies in place to ensure we continue to provide our customers with the full range of services they require, as would be expected of any prudent business. The fundamentals of our strategic plan remain constant. Ulster Bank, as a bank regulated in Ireland and the EU, continues to be a core part of RBS. We have seen a limited impact on retail customers, mainly because none of the changes associated with the UK leaving the EU have crystallised yet. There has been a mixed response from our small and medium-sized enterprise and business customers, with some sectors affected more than others. Ulster Bank is helping businesses to prepare for the transition through the Brexit process following the triggering of Article 50 of the Treaty on European Union by the UK earlier this year. Some of our customers are looking at expansion opportunities in the UK as a result of Brexit. We will be seeking to help to finance and support such expansion plans. We supported a series of nationwide seminars in association with the Irish Exporters Association which offered businesses the opportunity to meet and network, while hearing from industry and business leaders at a number of regional locations on a range of topics from Brexit to innovation to how to grow one's business. Ulster Bank engages regularly with the IDA and our colleagues in RBS to help identify businesses from the UK which are considering setting up operations in Ireland with a view to providing banking products and services to them in the Republic of Ireland.

There are many other topics I could address, but I will conclude as I am sure we will have the opportunity cover them during the discussion.

**Deputy Michael McGrath:** I welcome Mr. Mallon and his colleagues and thank him for his opening statement and the information provided in advance of the meeting. I will start with the examination of tracker mortgages. A lot of Ulster Bank customers are very interested in this hearing and they have been contacting members with questions and telling us their own stories about the impact this issue has had on them. As such, it is important that we tease it out. The headline from the presentation is that the number of impacted customers has risen by 75% from 2,000 to just under 3,500. How did that happen and when did the bank realise the number had grown so much? Mr. Mallon told us last December it was around 2,000. When did the bank start putting all of those customers back on the correct rate to stop the harm?

**Mr. Gerry Mallon:** The first thing to note is that until the Central Bank is completely satisfied that we have successfully concluded every one of the phases of the tracker mortgage examination, everything we say about the examination, including the numbers, could be subject to change. It will certainly be subject to review and it could be subject to change. We make our remarks and provide information on the understanding that nothing is final until the Central Bank says it is. We will provide the committee with numbers on a best-endeavours basis.

When we met last December, the one thing that was clear to us was that there was a primary cohort of approximately 2,000 customers where we believed there were issues relating to the tracker mortgage examination. We had an estimate at that stage of the number that was going to be included in that. We were also clear that this was a complex programme requiring the examination of tens of thousands of accounts. There were no defined large individual cohorts, but rather there were multiple small cohorts which needed to be worked through over a period of time. As we concluded phase 2, we worked through each of those cohorts and made a conclusion or decision as to whether people were impacted and whether there was a need for remediation. We addressed the 2,000 as quickly as we could in December 2016 and in January and February 2017. Identifying the remainder has been a gradual process between that point and the conclusion of phase 2 in March. We were in a position to identify the full number in

time for the conclusion of the process in March.

**Deputy Michael McGrath:** When were customers put back on the correct rate?

**Mr. Gerry Mallon:** The vast majority were put bank in December, January and February of the past year and the last of the 2,500 existing customers would have been concluded by March.

**Deputy Michael McGrath:** That is March 2017.

**Mr. Gerry Mallon:** In time for phase 2 to have been successfully submitted.

**Mr. Paul Stanley:** There were a few, as we note here, which it was not appropriate to reset.

**Deputy Michael McGrath:** That was 57.

**Mr. Paul Stanley:** Yes.

**Deputy Michael McGrath:** When did the bank start its trawl? The Central Bank-----

**Mr. Gerry Mallon:** I do not want to over-commit in relation to that. Can Mr. Stanley deal with the final letters in terms of restoration?

**Mr. Paul Stanley:** Can we confirm the final dates on those to the committee outside of the meeting as there may have been some that ran a little bit?

**Deputy Michael McGrath:** Please do.

**Mr. Paul Stanley:** The cohort of 2,000 we spoke about were all pretty much done by March at the latest.

**Deputy Michael McGrath:** The Central Bank notified Ulster Bank formally of the tracker mortgage examination in December 2015. It would have started its work shortly afterwards. At what point did the bank realise the figure was as high as 3,500? When did that become clear?

**Mr. Gerry Mallon:** The last time we met with the committee, 2,000 was the number we had got to. It was between that period and the conclusion of phase 2 that the 3,500 figure was arrived at.

**Deputy Michael McGrath:** On the issue of redress and compensation, has the bank started to pay anyone back the money they were overcharged, in some cases for many years?

**Mr. Gerry Mallon:** Yes. That process has commenced. As I said in my opening remarks, there has been a slow start to that process because it is so complicated and there is such a great degree of manual calculation required. A period of quality assurance is required and there is due diligence required in respect of the decisions we are making. As of today, we have got to fewer than 40 customers in terms of that remediation.

**Deputy Michael McGrath:** Fewer than 40 have had redress and been repaid.

**Mr. Gerry Mallon:** Yes, and compensation. However, we are now in a process where that is being ramped up progressively to create a more systematised and effective way to reach more customers quickly. There is no doubt, given the complexity of it, that it will take some time. It will be well into 2018 before all customers are reached.

**Deputy Michael McGrath:** With all due respect, does Mr. Mallon really think that is good

enough? Last December, he told us there were 2,000 customers who had been affected. The figure is now 3,500, of whom approximately 1% have been repaid the money the bank overcharged. If the shoe was on the other foot and these customers owed money to the bank, it would not be shy about chasing them for it.

**Mr. Gerry Mallon:** I appreciate completely and share the frustration in relation to this. The thing that is constraining us is the complexity and scale and the fact that it is not just an issue of resources. We have more than 200 people who are subject matter experts and we have supplemented internal resources with external ones. We have brought back people who used to work for the bank to focus on this. We have a large team which is working very hard on this.

**Deputy Michael McGrath:** How many people are working on it?

**Mr. Gerry Mallon:** Over 200. If I could solve it overnight by throwing more resources at it, I certainly would.

**Deputy Michael McGrath:** If one takes each individual customer, there was a point in time when he or she was entitled to go back on a tracker rate, but did not because it was not offered. At another point in time, that was discovered and identified. It is not that hard to calculate how much the customer overpaid on the mortgage every month and every year over that period. It is not that difficult.

**Mr. Gerry Mallon:** It actually is, notwithstanding that it might appear simple on the face of it. I might ask Mr. Stanley to elaborate on the complexity of the calculations required. We have to get it right consistently and treat all customers absolutely fairly. It is not a matter of a simple and easy calculation.

**Mr. Paul Stanley:** It is going back into those periods of time and pulling off the balances on those accounts and the movements on those accounts. It is also the third-party assurance process around that. I wish it was easy to do but it is not. In some cases it can be automated and done relatively quickly and those are the ones we want to move through at a faster pace. Others, given their complexity, have to be done manually.

**Mr. Gerry Mallon:** I assure the committee that we are absolutely not dragging our feet. No one who is working on this is being allowed to drag his or her feet. Late hours are being worked and a great deal of effort is being put in. I can imagine that the frustration and anguish among customers is dreadful. I reiterate the apologies I have made in relation to this. I ask the committee to believe that if I could make it go faster, I would. We are trying everything we can.

**Deputy Michael McGrath:** We all have to remember the human stories behind each case. We have all heard some of those stories in recent weeks when people found out that representatives of the bank were coming here. Some very harrowing stories and life changing situations were set out by people who, in some cases, paid tens of thousands of euro more than they should have over a period of years. It is devastating. The bank told the committee last December that 14 or 15 families had lost their homes as a result of overpaying the bank. Is there an update on that?

**Mr. Gerry Mallon:** We looked at those cases. The important thing we have tried to do is to look at where there is causality, that is where the actions of the bank have caused these people to lose their homes, or where, had we acted differently, they would not have lost their homes. The number we have got down to is a small number and fewer than 14 or 15. However, the numbers are still moving. We are still working through trying to identify where we have been at fault.

**Deputy Michael McGrath:** Is Mr. Mallon saying he has not identified any new ones?

**Mr. Gerry Mallon:** In terms of that 14 or 15, as we have found more customers impacted by the tracker mortgage examination, we have found more customers who have lost their homes. In some cases the issue of whether a customer was on a tracker mortgage was not going to have made any significant difference because of the customer's circumstances. The important issue for us to examine whether it could have made the marginal difference which would have allowed that customer to be in their home. In that case it is the bank's fault. We need to take charge of it and to be responsible.

**Deputy Michael McGrath:** What is the number at now? Mr. Mallon said it has gone up.

**Mr. Gerry Mallon:** I hesitate to give the Deputy a number because I cannot give him a definitive one, but it is handful of customers where we know we are have been at fault.

**Deputy Michael McGrath:** What has the bank done for them?

**Mr. Gerry Mallon:** We have contacted them and we are in dialogue with them now in respect of the remediation. There will be more. I am quite sure we will find more. If I was pushed to make an estimate, I think the number where we will find it was the bank's fault will probably be in the teens. The total number of customers who have lost their houses more broadly will be in the tens.

**Deputy Michael McGrath:** How does the bank begin to compensate somebody who has lost their home? What commitment is the bank giving on that issue? Will it help them, in some cases, to get back the house they had, if that is possible, or, in other cases, to find another home with which they are satisfied? How does it start to help people who have had that devastation?

**Mr. Gerry Mallon:** It is very difficult. I do not think there is anything that we can do to put that right. We are in the process of having a dialogue with the customers. We start with a financial compensation and then we look at what more we can do. What is clearly our fault is clearly our fault. We are accountable and responsible for trying our best to put that right.

**Deputy Michael McGrath:** On the overall picture, what commitment is Mr. Mallon giving today on when the redress will be completed for the vast majority or for all customers and when will the compensation be paid? What is the overall picture and the commitment the bank can give?

**Mr. Gerry Mallon:** Again, it is very difficult for me to give a commitment, given that the Central Bank still has to review, validate and opine on the things we are doing. I can say for certain that it will be well into 2018 before the process of remediation and compensation is completed. I would hesitate to give any broader commitment than that. Each customer will also have 12 months to make an appeal, the appeals process has to be gone through, and the Central Bank has also has its opinions on what more we might need to do.

**Deputy Michael McGrath:** What provision has the bank made in terms of the cost of this whole issue?

**Mr. Gerry Mallon:** We have made a provision in excess of €200 million in the 2015 and 2016 accounts and we do not see any need for that to be increased at the moment.

**Deputy Michael McGrath:** None of that has been paid out yet.

**Mr. Gerry Mallon:** Other than to those 40 customers?

**Deputy Michael McGrath:** A very small number. Regarding the people who were examined as part of the investigation but deemed not to be included and who are not among the 3,500 customers, have they been notified of the outcome in their cases?

**Mr. Gerry Mallon:** I do not believe so. I might ask Mr. Paul Stanley.

**Mr. Paul Stanley:** No.

**Deputy Michael McGrath:** Were they told that they were in the examination in the first place?

**Mr. Paul Stanley:** The 3,500 were informed but not those outside of that.

**Deputy Michael McGrath:** Not those outside of that.

**Mr. Gerry Mallon:** Yes, up to 3,500 customers. Approximately 2,500 of those are existing customers, that is, they had a mortgage with Ulster Bank. We reverted them to the tracker rate, other than 57 I mentioned. In addition, there are approximately 1,000 customers who would have redeemed their mortgages and would have a customer relationship somewhere else. For them, reinstating a tracker rate is not an immediate option but they are included in the remediation and redress programme, so they would not necessarily have been communicated with.

**Deputy Michael McGrath:** If a customer believes they should have been included but has not heard from the bank as to whether they are or are not included, can they go through the appeals process?

**Mr. Gerry Mallon:** I guess the first stage would be for them to engage with us in order that we can understand the circumstances and give them a commitment in regard to it.

**Deputy Michael McGrath:** My final question, as I know the Chairman is anxious to move on, is on the issue of switchers, people who were caught up in this issue, who were wrongly denied a tracker rate to which they were entitled under their contract and ended up switching their mortgage from Ulster Bank to another lender. How is the bank approaching that issue? When will those impacted customers be remediated and how will the bank remediate them?

**Mr. Gerry Mallon:** They are among the approximately 1,000 I referred to who were not part of the initial communication because they did not have an existing mortgage with Ulster Bank for us to switch back. They will be contacted as part of the redress and compensation process.

**Deputy Michael McGrath:** I have other issues I wish to raise but I will do so later as I want to let other colleagues contribute.

**Chairman:** I call Deputy Doherty.

**Deputy Pearse Doherty:** Fáilte go dti an cruinniú. I want to go back over some of the ground that Deputy Michael McGrath covered, in particular, the commitment Mr. Mallon gave to the bank's customers last year when I questioned him. I will refresh his memory. I asked him in autumn 2016 why when this investigation had started in December 2015 customers has not been put back onto their tracker rates, which is the first thing that the Central Bank requires the bank to do, namely, do no more harm and steal no more money from its customers. I asked

Mr. Mallon, “Will all these customers receive a letter and be put back on their tracker mortgages before Christmas?” Mr. Mallon replied, “That is certainly the intention. We will certainly be writing to them”. Why did he not keep his word on that?

**Mr. Gerry Mallon:** Perhaps I can also point back to the transcript. I accept fully that what I said in response to the Deputy was that we will be writing to them “this month”. However, I qualified that by saying, “We are moving as fast as we can. The intention is to get those letters ... [out] this month”. Shortly after that, we repeated that it was our intention to get the letters out, at which point my colleague, Mr. Stanley, clarified that we would have as many out as we could before Christmas but that some of them may drift into the early part of the new year due to the process. Later in the meeting a member of the committee reflected back to us on that and said, “I welcome the fact that the bank is committed to putting the 2,000 customers affected by the tracker mortgage debacle back onto the tracker mortgages by Christmas or, at the latest by early in the new year”.

**Deputy Pearse Doherty:** To how many customers did the bank not meet its commitment?

**Mr. Gerry Mallon:** We had 500 issued before Christmas and 1,300 issued in January and February.

**Deputy Pearse Doherty:** And another 200 in March. Is that the case?

**Mr. Gerry Mallon:** Approximately.

**Deputy Pearse Doherty:** The bank only met that commitment to a quarter of its customers to whom it had wrongfully denied a tracker rate. They were overcharged on their accounts. Only a quarter of them were put back on that rate before Christmas. This is now one year into the bank’s examination. There is no way Mr. Mallon can convince me that this is any way acceptable or justifiable. It cannot be that difficult to do that with 200 staff. I ask Mr. Mallon to convince me on this point. After identifying those customers were on the wrong tracker rate, how, with 200 staff, could he not organise to put those accounts onto the right tracker rate within a period of a year at that stage?

**Mr. Gerry Mallon:** I am not going to attempt to justify or defend it. The Deputy or any member of the committee is welcome to have a private session with us and we would try to would explain some of the level of complexity, the moving parts and the calculations which need to be completed and validated, and some of the system constraints which exist. We are talking about accounts which are spread across up to five different mortgage systems of formerly two different banks.

**Deputy Pearse Doherty:** With how many accounts a year does the bank deal? How many accounts does it have?

**Mr. Gerry Mallon:** In terms of mortgage accounts, we have-----

**Deputy Pearse Doherty:** The number of accounts it has all together.

**Mr. Gerry Mallon:** Approximately over 1 million.

**Deputy Pearse Doherty:** Let us put this in context. The bank has 1 million accounts, including current accounts, savings accounts, loan accounts, mortgage accounts and other accounts and it is able to deal with them by and large efficiently enough. Now the Central Bank and the Ulster Bank have put their hands up that the bank has been overcharging its customers

and has been doing so for quite a period of time. We are not talking about 1 million, 0.5 million or hundreds of thousands of customs but 2,000 customers who in the period of the previous 12 months the bank had identified it was overcharging and it did not put them back on the correct rate. I can only put it to Mr. Mallon that the bank has been dragging its heels on this. It only put the last customer onto the appropriate rate, which is the first thing the Central Bank does, right before the deadline the Central Bank laid down of 31 March when the bank had to produce its plan. That was when the last person was put onto the tracker rate. The bank was dragging its heels in respect of this issue. If it was not for the 31 March deadline, I question whether some customers would still not be on a tracker rate post that date.

**Mr. Gerry Mallon:** Again, I share the Deputy's frustration. I will not attempt to defend either the fact that the bank was overcharging or that the process for the restoration of customers to tracker rates has been frustratingly and unacceptably slow. I reiterate my invitation for the Deputy to meet the team that is working on this to understand the degree of complexity, the honest endeavours which are being undertaken, the hours which are being worked and the best efforts the bank is making. I can assure the Deputy that we are not in any way dragging our heels on this.

**Deputy Pearse Doherty:** Let us move on to the second part, that is, redress, which is the third phase in terms of the Central Bank. Ulster Bank is dragging its feet. The bank's customers have written to me, to Deputy Michael McGrath and to other members of the committee to tell us about financial difficulties resulting from the fact that it has not gotten to grips with the issue. Mr. Mallon told my colleague that only 40 customers have received redress. Is that correct?

**Mr. Gerry Mallon:** Just under.

**Deputy Pearse Doherty:** Just under 40, which is not good enough. The Central Bank told us that in February 2,600 customers across the banks were given redress. I take it that not one of Ulster Bank's customers was given redress in February. We have been critical of delays in some of the other banks, but how is it that they could get their act together and start not only putting people back on tracker rates but also issuing letters of redress and paying compensation? Some seven or eight months on, Ulster Bank has still not issued any letters of redress or given redress to its customers, bar 40 individuals. How many people are affected? Is it 3,500? Can Mr. Mallon explain to me and, more importantly, to its customers how the bank is so far behind other financial institutions of a similar size?

**Mr. Gerry Mallon:** I cannot comment in respect of where other banks are in the process, the systems and issues they need to work through or their start dates and ours. I reiterate my apologies for the length of time this has taken and the fact that it is not something which is about us delaying in any way, shape or form. Rather, it is about us trying to do the best we can with the complex situation we are facing.

There is no incentive to delay. This is something which causes pain and frustration for our customers. Unless we can address this, the bank has no hope of a sustainable future based on customer service, trust and advocacy, which are our strategic objectives. We have put money aside to resolve this issue, which includes project costs. If I was able to double the resources and deliver the project twice as quickly, it would not cost me any more money because we would be done more quickly. The longer this drags on, the more it costs because we need to continue employing outside consultants and so on. The costs escalate. There is no incentive for us to drag our feet. It is genuinely something which I invite the Deputy to understand in

more detail. It is a genuinely complex issue which takes time to resolve. We are working very hard on it.

**Deputy Pearse Doherty:** The level of complexity cannot be any greater than those with which the other banks are dealing. Banks all did the same thing, namely, denied tracker mortgages to their customers and took - I would use the term "stole" because the money was taken wrongly - approximately €600 per month from certain customers. Some payments were higher or lower. In some cases, customers are entitled to tens of thousands of euro in redress and compensation. Others are entitled to hundreds of thousands of euro because their homes were taken from them.

As I mentioned, the figures are staggering. Some 3,500 people are affected. For an institution which deals with 1 million accounts to tell me it has given redress to fewer than 40 customers two years into its investigation is not good enough. We have to measure it against the other banks. If they can deal with the complexities involved, so can Ulster Bank. It is good that bankers have come before the committee and apologised. I am sure customers welcome that. However, I know, based on what I have heard from them, that those customers want their money, which the bank is holding. Ulster Bank is still issuing letters advising customers that their accounts are in arrears. They would not be in arrears if the bank gave them back the money it took from them in the first place.

It was stated that phase 2 is finished and that the bank submitted the report by 31 March. That deadline related to the plan to be issued to the Central Bank. Was the final report issued on the same day?

**Mr. Paul Stanley:** Our submission date was 31 March and that is what we delivered to.

**Deputy Pearse Doherty:** The final report-----

**Mr. Paul Stanley:** From memory, the final report was submitted on the same date.

**Deputy Pearse Doherty:** The date for the final report was the end of September. The plans were to be submitted by 31 March and there were supposed to be monthly updates on progress from that date onwards.

**Mr. Paul Stanley:** Our plan was submitted by 31 March. We had our review by Grant Thornton as a third party assessor, which is with the Central Bank.

**Deputy Pearse Doherty:** Has the final report, which was due no later than 30 September and which closes out phase 2, been submitted to the Central Bank?

**Mr. Paul Stanley:** Yes, in effect. It is with the Central Bank and with the assessor, as part of Grant Thornton. When the Deputy refers to a final report, I am not clear on what he is referring to.

**Deputy Michael McGrath:** He is referring to the fact that phase 2 was to have been completed by the end of September.

**Mr. Paul Stanley:** The phase 2 report.

**Deputy Pearse Doherty:** The guidelines issued by the Central Bank to all banks states, "The monthly updates to be submitted by the lender to the Central Bank by no later than close of business on the last day of the month, commencing April 2016 with the final update to be

provided end September 2016.”

**Mr. Paul Stanley:** We certainly provide updated reports on a monthly basis. The most recent one for September has been submitted.

**Deputy Pearse Doherty:** Is that the final one? That means every single person who was denied a tracker mortgage or who was wronged by the bank has been identified and there is no further examination-----

**Mr. Paul Stanley:** To be clear, it is subject to the Central Bank’s assurance.

**Deputy Pearse Doherty:** Okay. What will the level of compensation be? A figure of 12% was mentioned. Is the figure higher or lower?

**Mr. Paul Stanley:** It is 12% for non-arrears customers, and a range of between 13.5% and 20% for arrears cases.

**Deputy Pearse Doherty:** Again, that is awaiting approval from the Central Bank.

**Mr. Paul Stanley:** The Central Bank will have seen those compensation levels. I do not believe it approves them. If one was to check with it, one would find that it notes the levels and allows us to progress on that basis.

**Deputy Pearse Doherty:** I refer to those individuals who were overcharged by Ulster Bank and who, as a result, had their homes taken from them. Has the bank identified whether it still has ownership of some of those homes? Was it able to give people back their homes or were they all sold?

**Mr. Paul Stanley:** I do not believe so.

**Deputy Pearse Doherty:** They have all been sold.

**Mr. Paul Stanley:** Yes.

**Deputy Pearse Doherty:** On redress, I understand the figure is slightly higher in respect of customers who have lost their homes. Are any of the 14 customers involved part of the fewer than 40 who have been issued redress?

**Mr. Paul Stanley:** In respect of the 14 customers to whom the Deputy refers, we are giving them an initial €50,000 as a goodwill gesture, given the difficulties and challenges we have caused. Over the next two months, we will be working through final settlements with them.

**Deputy Pearse Doherty:** Have cheques for €50,000 been issued to all 14 customers?

**Mr. Paul Stanley:** Yes, when they come in to meet us. Fewer than 14 customers have come in to meet us, as I said.

**Deputy Pearse Doherty:** I will move on from that. I want to raise another issue that I have raised privately with Ulster Bank and with the Central Bank. I understand Ulster Bank is sending out new mortgage contracts or updating the terms of contracts. A clause in the new contract has been brought to my attention. I ask the witnesses to explain the reason for it.

The new term the bank is inserting into existing mortgage contracts reads:

The Lender will not be liable to the Borrower for any loss of any description the Bor-

rower may suffer if the Lender fails to perform any of its obligations under these Terms and Conditions as a direct or indirect result of anything outside of the Lender's reasonable control. This includes but is not limited to industrial dispute, failure or fluctuation of power or telecommunications supplies or any equipment or error in any software, error or lack of clarity in the Borrower's instructions, failure or delay in the supply of services to us by a third party. The Lender will not under any circumstances whatsoever be liable for any indirect losses or losses of profit.

The bank has entered into a legally-binding contract with its customers and now it is changing the terms of that to give it a massive get-out-of-jail card in respect of any loss that is the result of its own actions or those of third parties it has employed. Why does the bank think this is fair?

**Mr. Paul Stanley:** To answer the question as to why has this happened, we have moved a batch of legacy customers from an old mortgage system to, in effect, the single mortgage system we have. That is an aspect of the complexities we have had to deal with as part of the tracker mortgage examination. In transferring them over, they moved to the existing terms and conditions for all customers that were already on the new mortgage systems. That is the background.

The intent of this is a *force majeure* clause. The Deputy pointed it out to me and I thank him for that. I have picked it up separately and would like to respond again to the Deputy on it. The intent is that in the case of extreme events outside the control of the bank, it not be liable for loss. As written, other interpretations could be put on it. I have asked for that to be reconsidered and I will return to the Deputy in respect of it.

**Deputy Pearse Doherty:** The Central Bank stated it would not necessarily prevent the term being applied in a manner which could give rise to an actual contravention of the code. There are concerns here. It is wrong because many people do not read the terms and conditions of their contracts. However, the bank is inserting a condition into a contract which is extremely favourable to it and which will give it a lot of get-out clauses in respect of losses to the customer. The latter is not being asked to take legal advice on this clause. That is very unfair.

**Mr. Paul Stanley:** A significant number of customers have been on that new mortgage system for a period and it is a standard condition. I take the point the Deputy makes but it is a standard condition.

**Deputy Pearse Doherty:** If they enter into a contract and that is a term of the contract that is fair enough. That is what they are signing up to with eyes wide open but it is not fair for individuals who entered into a different contract that the bank at a later stage changes one part of the contract making it more favourable to the bank.

**Mr. Paul Stanley:** It was a case of moving those customers to the same contracts that had to exist for the new mortgage system. However, I have taken the point the Deputy made and I will return to him on that.

**Deputy Pearse Doherty:** I will let my colleague pick up on the Global Restructuring Group, GRG, and I may come back in on that.

**Senator Rose Conway-Walsh:** On the final matter to which Deputy Pearse Doherty referred, the language in that new contract does not form the basis of a trusted relationship and one that a bank should have with its customers. I have many concerns about that. It hardly

forms the basis of a contract at all being so open and providing so much protection. It is certainly not an equal relationship in terms of getting the bank out of anything.

**Mr. Paul Stanley:** That is not the intent of the clause. I will return to Deputy Pearse Doherty on that.

**Senator Rose Conway-Walsh:** The language used shows the relationship between the banks and consumers and that between the banks and the State.

Although the tracker mortgage issue has been covered comprehensively by my colleagues, I have one question. Has the bank identified who is responsible within the bank for moving people off these trackers?

**Mr. Gerry Mallon:** The board and the senior executive are responsible for running the bank so they are accountable for everything that happens on their watch. The tracker mortgage was a popular product between 2001 and 2007. As interest rates rose around 2007, there were many customers moved onto fixed rates and they were not moved against their will. It was a sensible thing for them to do based-----

**Senator Rose Conway-Walsh:** I understand what happened but I am trying to get to the bottom of the broader question of accountability. Was there a section in the bank which made these decisions and which said that this was the right thing to do, or which brought the matter to the board? If so, in that process were there any dissenting voices that said this is wrong let us have another look at it?

**Mr. Gerry Mallon:** There are two elements: the legal terms and conditions; and what customers were contractually entitled to is one area. I have not seen any evidence yet - and I would welcome it if there is any - that anybody in Ulster Bank sought to deny customers something to which they were legally entitled. The area of contention and failure for us comes down to the question of whether those customers were made clearly aware, beyond any doubt, that when they left the tracker rate to go on the fixed rate, they would not be eligible, under the terms of their contracts, to move back. There are regulatory standards and these are the minimum to which we would seek to hold ourselves. There is even a level of customer trust and transparency for which we would hold ourselves accountable. The issue is not about anybody trying to make a decision to move customers off or to deny them.

**Senator Rose Conway-Walsh:** I understand what Mr. Mallon is saying but we need to get to the crux of the matter. When they came before us, the representatives from the Central Bank indicated that there were concerns around the illegality of this and that it was going to investigate. Has the Central Bank contacted Ulster Bank about that? It was going to make referrals to the Garda at that time. Has the Garda contacted the bank?

**Mr. Gerry Mallon:** There has been no contact from the Garda. There is a Central Bank tracker mortgage examination under way and there is frequent dialogue about how that is progressing.

**Senator Rose Conway-Walsh:** Was there any dissenting voice? Are there any records within the bank of any individual or group of individuals saying this is the wrong thing to do?

**Mr. Gerry Mallon:** I have been focusing my time, effort and resources and those of the bank on trying to remediate the live customer situations at the moment, not on conducting any separate investigation as to who said what and when. That will be a part of the overall process

as we work through it.

**Senator Rose Conway-Walsh:** As chief executive officer, CEO, Mr. Mallon would know. When he says to the best of his knowledge he would know because one of the first things that would happen in any investigation is what is at the root of this and who was responsible. Surely Mr. Mallon could, perhaps, either not promote people who made these decisions or even demote those who were dissenting voices. That would need to be sorted out in any organisation to find out where the culpability lies.

**Mr. Gerry Mallon:** Where it falls down for us is around a clarity that, contractually, customers did not have a particular right in most of the individual cases we were considering but there is also the issue of the consideration of the regulatory or communications standards to which we hold ourselves. The debate was on that latter point of standards of accountability, transparency and communication that we held customers to when they shifted off the tracker rate in 2008. That is the point of contention. It was long before my time with the bank and I have not conducted any final review to try to understand those two areas.

**Senator Rose Conway-Walsh:** I appreciate that but the answers to some of these questions are wholly unsatisfactory. Customers are at the centre of this. I know a customer who has been waiting nine months. When we heard from the bank last year, I reassured him that he would know by Christmas where he stood and what was happening. He still does not know today what is happening. What can the bank say to that customer who has not been given any direction whatsoever? He cannot appeal because there is nothing to appeal. Is there one bit of advice Mr. Mallon would give that person today?

**Mr. Gerry Mallon:** I would need to understand that individual's circumstances to give them an opinion or advice on whether he is considered part of the process or should be expecting something. I would happily engage with the individual to do so. I would reiterate, however, the apology to those customers who know they are impacted and perceive that they are impacted. The bank has let them down and we have to put that right.

**Senator Rose Conway-Walsh:** It is really getting tiresome at this stage for these people to be hanging on and not knowing what is happening.

**Mr. Gerry Mallon:** I agree.

**Senator Rose Conway-Walsh:** There were great expectations about the witnesses perhaps presenting more definite answers this morning on what is going to happen. Telling them that it will be well into 2018 before they will have any information is not the way to treat customers.

I have a couple of questions about the vulture funds. I was in the repossession courts in Castlebar in recent weeks where there were approximately 140 repossession cases, quite a number of which involved Ulster Bank. People had received letters from the vulture fund saying it now owned their mortgage. This is frightening the life out of people and, in many cases, frightening people out of their homes. Will Mr. Mallon tell me how many family homes, in particular, were sold off to vulture funds to date?

**Mr. Gerry Mallon:** Mr. Andrew Blair is the head of customer debt solutions. I will ask him to answer the question.

**Mr. Andrew Blair:** As the committee is aware, we undertook a series of portfolio sales. The vast majority of those portfolio sales involved commercial real estate and small and me-

dium-sized enterprise customers. We have conducted two sales: one in 2015 and one in 2016. Each of those sales is subject to a confidentiality agreement, so we will not talk about price or the value of those sales. However, I can say, and we made this public at the time of the latter of the two sales in 2016, that that sale involved just fewer than 900 people and the family home. Of those customers, 95% of them were more than two years in arrears and 88% were more than three years in arrears. They were deep in the litigation process and non-co-operating. That is the basis on which we elected to include them in the sale. Where customers will come and talk to us, our primary goal is to keep them in their homes. We do not want to see people leaving their homes. That remains our goal and intent. However, for that to happen, we need to be able to talk to the customer and the customer needs to talk to us. We also need to be able to determine the customers' capability to meet the commitments under their mortgage or make suitable arrangements that will enable them to remain in their homes and make payments on their mortgage which will be sustainable in the long term. In this particular case, we do not intend to dispose of customers who are co-operating or are engaged with us and who are in low levels of arrears and trying to make satisfactory arrangements with us.

**Senator Rose Conway-Walsh:** I want to try to quantify this. Ulster Bank had the 900 people, and at the time that was published. Are there other family homes which Ulster Bank has sold since then? What is the total number?

**Mr. Andrew Blair:** No, not in any portfolio sale.

**Senator Rose Conway-Walsh:** Will Mr. Blair explain the term "not in any portfolio sale"?

**Mr. Andrew Blair:** The only other circumstances in which we might sell a house is where we have received an order of possession, the house is vacant and abandoned or there has been a voluntary surrender by the customer.

**Senator Rose Conway-Walsh:** Perhaps it is in the paperwork here, but does Mr. Blair have a breakdown of those figures and what was voluntary and what was-----

**Mr. Andrew Blair:** In the year to date-----

**Senator Rose Conway-Walsh:** I am just trying to quantify how many people have lost their family home or are at risk of losing their family home from vulture funds and through Ulster Bank directly.

**Mr. Andrew Blair:** There are no further ones over and above the number I gave relating to the investment funds. In terms of the number of sales this year, if my recollection is correct, there are 22 instances so far this year of our having recovered the property in the past and potentially sold it.

**Senator Rose Conway-Walsh:** Are there any people taking legal cases against the bank for selling off the loans attached to their family home to vulture funds?

**Mr. Andrew Blair:** Not that I am aware of.

**Senator Rose Conway-Walsh:** Mr. Blair would obviously be aware of it, so there is none. Of the €39 million that the witnesses say the bank spent in the first half of 2017 on conduct of litigation charges, in the main what does that apply to?

**Mr. Gerry Mallon:** Perhaps we could revert to the Senator on the detail of whether there are any legal cases pending, which Mr. Blair answered to the best of his knowledge.

To give the background to the €39 million, as part of the tracker mortgage examination process, we obviously examined lots of different customer files. There is a very detailed examination of the customer documentation in those files. As we did that, we discovered inconsistencies or errors unrelated to the tracker mortgage examination. They were things that one would not expect to see such as inconsistent terms and conditions. Part of the document might have contradicted another part of the document. That tells us that there are some errors within our historic cases. As soon as we see something which is an error that may impact the customer, we have to do an enormous amount of investigation to understand the impact of it.

**Senator Rose Conway-Walsh:** I really need to ask the witnesses about Global Restructuring Group, GRG. In terms of the bank selling off family homes to vulture funds, there is no legal case pending.

**Mr. Gerry Mallon:** Mr. Blair answered that question to the best of his knowledge. We will be happy to revert to the Senator with a detailed answer to give her final assurance.

**Senator Rose Conway-Walsh:** What contact has the bank had with the Central Bank regarding Global Restructuring Group and what criteria were used to transfer accounts of companies, individuals or other entities to GRG?

**Mr. Gerry Mallon:** I will ask answer Mr. Blair to answer the question.

**Mr. Andrew Blair:** The Senator may recall that when we were here last we had a fairly lengthy discussion about the process that had been ongoing at that stage in what was known as Project Sapphire. This was the investigation that the Financial Conduct Authority conducted into the activities of GRG in Great Britain. To be clear, the investigation was undertaken by the Financial Conduct Authority within the United Kingdom. Ulster Bank chose to adopt the things RBS had committed to at that stage. There were two parts to that. One was to institute a new complaints process overseen by an independent third party, who was a High Court judge. The second part was to undertake an automatic refund of any fees which could be described as complex fees, that is, ones which were perhaps beyond the transparency requirements that might have been appropriate for small and medium-sized enterprise customers. Throughout that process since 8 November last year, we have been keeping the Central Bank informed of the progress we have made.

At this point, we have made a considerable amount of progress in terms of both complaints and the refund of complex fees. As things stand today, I am happy to share some statistics with the committee. We have identified 19 customers who would be entitled to a refund of a complex fee. Of those 19 customers, four have already been refunded the amount due, totalling €362,000. A further five are in the process of returning the identification documentation we need to make those refunds. Of the remaining ten, we are working through making contact with those customers and are at the third attempt to make contact with them to make repayment.

On complaints, at this point Ulster Bank has received 48 complaints since we went out on the website seeking complaints, which is a period of approximately nine months now. Of those, four have already been adjudicated. We are expecting another 13 to be adjudicated by the end of October. That is approximately 35% of the complaints. The complaints process is complex and it is overseen by an independent third party. We will work our way through them as fast as we can. Given their complexity, we expect that some of those complaints will run into the first quarter of next year.

**Senator Rose Conway-Walsh:** Of the 2,140 Irish companies put into GRG, how many had receivers appointed?

**Mr. Andrew Blair:** By Ulster Bank?

**Senator Rose Conway-Walsh:** Yes.

**Mr. Andrew Blair:** Approximately 100. Relatively low numbers of receivers were appointed, which reflects the fact that during the period 2008 to 2013, and most notably during the period 2010 to 2013, customers were granted very significant levels of forbearance when they were in a position where they were unable to pay. To the extent that we thought we could support people to get to viability, we did everything in our powers to get them to the point where they were viable. The reality is that during that period, the extent of equity funds, debt funds or indeed performance of businesses was extremely limited. If I contrast that with where we are today, in the past 18 months I can think of ten cases where there was €140 million of debt involved. Those companies were able to raise almost €30 million of equity. We were able to restructure them and move on. Those sorts of funds could not have been raised in the period from 2010 to 2013, which meant that businesses which were already struggling for viability could not get restructured.

**Senator Rose Conway-Walsh:** I have several other questions on that issue but I want to move on to the closure of branches. The witness has said that the bank has listened closely to communities. Has he ever reversed a decision after listening to communities? Will he explain how the bank listens to communities? Has it engaged with local chambers of commerce? Has it visited areas such as Ballyhaunis, where a branch was closed? How has the bank listened to communities?

**Mr. Gerry Mallon:** Perhaps I can answer that.

**Senator Rose Conway-Walsh:** Has the bank ever reversed a decision, yes or no?

**Mr. Gerry Mallon:** I have not been involved in reversing any decision. I cannot answer that more broadly for RBS or for Ulster Bank prior to my time, but I suspect that the answer is no. The reason for that is that the decision to close a branch is only done after really detailed and thorough analysis and investigation. A detailed cost-benefit analysis is gone through. We obviously understand the cost of running a branch, in terms of the physical premises, the overheads and the cost of the staff, and we understand the benefits in terms of the usage of that branch by the customers and the business which it develops.

**Senator Rose Conway-Walsh:** The customers are a central point in the process of carrying out a cost-benefit analysis. Does the bank talk to customers or people in the locality who are using that branch and depending on it for different cash transactions and different transactions within the bank in the community? Does the bank consider the wider impact on the community? I believe that Ulster Bank and other banks have a responsibility to look at the wider community and the impact that closing a branch in an area will have, and the knock-on effect it will have in any small town in Ireland.

**Mr. Gerry Mallon:** I agree. We do, and we are thoughtful about what we do. Ultimately though, we are a commercial business and we cannot support a branch which is fundamentally unviable. The kind of dialogue that we have with customers and community groups is much more about the leave behind and the use of alternative services. It is about understanding the individual customer's needs, whether it is a business customer who needs the deposit in cash,

an elderly customer who needs to interact in another way, or a regular-----

**Senator Rose Conway-Walsh:** I get the picture. The bank is presenting communities and customers with a *fait accompli* in terms of the closures of the bank. It is wholly unsatisfactory. This is a yes or no question. Will the bank rule out any further closures?

**Mr. Gerry Mallon:** No.

**Senator Rose Conway-Walsh:** There may be further closures.

**Mr. Gerry Mallon:** No. Customers are changing in terms of their behaviour, and we will continue to respond and adapt our branch network and services more broadly to customers' behaviour. The footfall in the branches that closed was very small. One of my colleagues remarked that a Centra store could not be sustained on some of the footfall our branches were receiving, let alone a bank branch.

**Senator Paddy Burke:** I welcome Mr. Mallon and his colleagues. Are the fewer than 40 people who have had redress all household mortgages or are they businesses or buy-to-lets?

**Mr. Gerry Mallon:** I look to Mr. Stanley for confirmation but I believe that those are all connected to primary dwelling homes. They are individual mortgage customers and not buy-to-lets.

**Senator Paddy Burke:** The mortgages are all connected to houses.

**Mr. Gerry Mallon:** Yes.

**Senator Paddy Burke:** When the bank makes a loan available to a customer, does it advise him or her on the other costs, for example, insurance costs for the house, mortgage protection and insurance for the loss of a job? These costs can be a significant annual cost on top of the mortgage, and many people do not take these into account. Does the bank advise its customers about those charges and what they may be?

**Mr. Gerry Mallon:** Yes, as part of the credit approval process for mortgage approval we take the customers through an affordability calculation in which we will talk them through not only those elements but all the other elements of their underlying finances to understand what they can afford. A stress is put on that as well. If we assume that interest rates vary, we will calculate on the basis of that and test the customer's future affordability.

**Senator Paddy Burke:** I am not going to cover the ground covered by previous speakers, but I have further questions. On the 3,500 customers mentioned, are they all primary residences or is there a breakdown between buy-to-lets and businesses? Has a calculation been done on the 3,500?

**Mr. Gerry Mallon:** Mr. Stanley will answer this.

**Mr. Paul Stanley:** These are tracker mortgages, so they are not business lendings. We do have a breakdown between primary dwelling houses, PDHs, and buy-to-lets.

**Senator Paddy Burke:** What is the ratio of private residences to buy-to-lets?

**Mr. Paul Stanley:** If the Deputy can bear with me, I can work it out.

**Senator Paddy Burke:** I will ask another question. Will the witness outline how the ap-

peals mechanism might work?

**Mr. Gerry Mallon:** Perhaps Mr. Stanley can discuss the appeals mechanism.

**Mr. Paul Stanley:** First of all, we send out our correspondence to customers in terms of what we deem their remediation levels to be, based on the standard levels. The customers have 12 months after that. We are working on the information we have. The customer may have other information or may dispute some of the information we have. There are two things that can be done as part of the appeals process. The customer can come back to us directly and correct us on something he or she feels we may be incorrect on rather than go straight to appeals. That is optional. He or she does not have to do that. Otherwise he or she can go straight to the appeals panel process itself and represent his or her case.

**Senator Paddy Burke:** Are there any cases on appeal already?

**Mr. Paul Stanley:** No. We have just started the process.

**Mr. Gerry Mallon:** I do not believe that we have that split between PDHs and buy-to-lets on the tracker mortgage examination included in our briefing notes. We would be happy to revert to the Senator after the meeting.

**Senator Kieran O'Donnell:** My first question is a practical one. The normal bank requirement under the Central Bank rules is a minimum 10% of deposit for a home owner. Is that correct?

**Mr. Gerry Mallon:** That is correct, yes.

**Senator Kieran O'Donnell:** There are exceptions. The bank is entitled to have exceptions.

**Mr. Gerry Mallon:** That is correct.

**Senator Kieran O'Donnell:** Would the exceptions happen throughout the year or would they be made at the start of the year?

**Mr. Gerry Mallon:** Typically they happen throughout the year. The way in which the impact of the macro-prudential rules which the Central Bank has put in place, along with funny developing market dynamics in the mortgage market, means that many customers, particularly first-time buyers, look for an exception. First-time buyers generally require a loan-to-value ratio that is a little higher. They will have gone to a number of banks and those banks will have ended up giving them offers. All of a sudden, we are not sure how these offers are actually going to draw down but we have given the customer a commitment. The consequence has been that the requirement for us in respect of the Central Bank is that we be within our ceiling for the level of exemptions at the end of the year. This year, and this is possibly coming across in many of the banks, people have seen that, because of the number of offers put out, they are not quite sure what is going to draw down and what is not. They have coasted up towards the top of their capability in terms of our capacity to be able to offer exemptions. That means that a number of the banks, including ours, have had to put a little bit of a brake on the exceptions while we wait to see what is in the pipeline and is actually drawn down. Thus, we can be completely sure that we meet our end of year target for the Central Bank.

**Senator Kieran O'Donnell:** We are coming across many first-time buyers who are finding it very difficult to put the deposit together because, invariably, they are living in rental accommodation and paying anything from €800 to €1,200 per month in rent. I am framing the

question in the context of the exceptions. Consider the case of someone who is renting consistently and meets the requirements beyond the deposit requirement, including the requirement for an average loan no more than 3.5 times one's earnings. The bank will obviously have its own measurements. If one meets the requirements beyond the deposit requirement, one falls into the exception category. If the individual is paying rent of €1,000 or €1,200 per month, it is very difficult or nearly impossible to save. If he or she saves between €200 and €300 consistently every month with Ulster Bank over a year or two, amounting to perhaps €3,000 per year, thereby demonstrating creditworthiness, could the exception limit be extended? Does Mr. Mallon understand the context?

**Mr. Gerry Mallon:** I do understand it.

**Senator Kieran O'Donnell:** The mortgage repayment would be less than what is paid in rent.

**Mr. Gerry Mallon:** A bank always has to be pragmatic about making sure the customer is being given something that is affordable and sustainable. I would make every credit decision on its individual merits. That kind of case sounds to me like a compelling one. I refer to where there is clear affordability to the customer rather than any kind of black or white rules.

**Senator Kieran O'Donnell:** I refer to where the mortgage repayment is less than the rent but where one shows a capacity to save.

**Mr. Gerry Mallon:** That would fall outside our existing lending policies but it is not unheard of for us to make exceptions to our existing policies where we can see a clear-----

**Senator Kieran O'Donnell:** On what percentage of the bank's loan book can an exception be made? What is the ratio?

**Mr. Gerry Mallon:** We do not have any capability to go outside the Central Bank's figure.

**Senator Kieran O'Donnell:** What is it?

**Mr. Gerry Mallon:** I am not sure, off the top of my head, whether it is 10% or 20%. I can validate that for the Senator later. That is not a policy decision by us. It is a regulatory decision and we must make-----

**Senator Kieran O'Donnell:** It was willing to allow a situation whereby, on top of the exceptions, it might give another 20% where a consistent savings pattern is demonstrated and the mortgage repayment is less than the monthly rent.

**Mr. Gerry Mallon:** The Central Bank has actually been quite responsive to feedback and has looked for feedback on how it can improve the macro-prudential rules. I have expressed privately to the bank some of the issues that arise. The first concerns the pattern of the full-year measurement, meaning the exceptions get used up in the first half. The second concerns very crude measures. If crude loan-to-value and loan-to-index measures are used, one loses the ability to understand some of the more complex phenomena, such as individual customer affordability. Some people might meet both of those criteria but still will not be able to afford the loan because they will have other debt commitments that are not taken into consideration. The rules are doing a fantastic job. I agree with them very much because they are taking the potential pressure associated with upward inflation and irresponsible lending out of the system-----

**Senator Kieran O'Donnell:** Does the witness believe it is possible to have another prop-

erty crash in Ireland, be it residential or commercial?

**Mr. Gerry Mallon:** A crash could be determined by one of two things. The first is a bubble, which is unsustainable and implodes. We do not believe there is a sign of that at the minute because there is affordability. Alternatively, a crash could be brought about by an economic crisis. Who is to say that some external factors could not have an impact in this regard? Our forecasts for all the trends that are known and observable at present are positive for the Irish economy, so we believe the risk of that kind of crash is low at the moment.

**Senator Kieran O'Donnell:** Does Mr. Mallon believe there is an undersupply of housing?

**Mr. Gerry Mallon:** There is certainly an undersupply of housing, which is putting upward pressure on rents, in particular.

**Senator Kieran O'Donnell:** May I proceed to question 13 in the booklet?

**Mr. Paul Stanley:** The figure for exceptions is 20%.

**Senator Kieran O'Donnell:** I refer to pages 30 and 31 of the booklet that was handed out. The question is purely related to sales to vulture funds. We are getting a lot of feedback from individuals whose loans have now ended up with the various entities, Cerberus being the most high profile. I have a few housekeeping questions first. The loans sold on between 2014 and 2016 total approximately €13.7 billion. How much of that pertains to the Republic of Ireland and how much pertains to Northern Ireland? I can isolate three figures: €1.5 billion, €800 million, and €2.8 billion.

**Mr. Andrew Blair:** Approximately 80% of those pertain to the Republic of Ireland.

**Senator Kieran O'Donnell:** Therefore, approximately €12 billion of the €13.7 is related to the Republic of Ireland. It is a Republic of Ireland sale in the main. Is that correct?

**Mr. Andrew Blair:** A significant majority of the sales are related to customers in the Republic of Ireland, which reflects the Ulster Bank balance sheet as it was back in 2013 when the bank was an all-Ireland bank.

**Senator Kieran O'Donnell:** Is there a breakdown? Issues arise regarding the sale of the SME sector loans. The farming sector is coming up quite a lot. What is now materialising, based on what we are hearing on the ground, is that entities like Cerberus are now getting to a point where they are seeking to deal with these loans. Of the €12 billion, do we know the breakdown between commercial real estate, residential and the SME sector?

**Mr. Andrew Blair:** Broadly speaking, with regard to the constituency that was in the GRG portfolio that became part of the portfolio in question, 75% of that was commercial real estate or commercial real estate related.

**Senator Kieran O'Donnell:** Was the GRG loan book sold on to-----

**Mr. Andrew Blair:** All of those loan sales relate to that book, apart from the last, which had an element of non-GRG.

**Senator Kieran O'Donnell:** All the other sales, involving Aran, the €6.1 billion to Cerberus, Apollo, the €1.5 billion, Deutsche Bank, and the €800 million to Cerberus in July 2015, came from the GRG book.

**Mr. Andrew Blair:** Correct.

**Senator Kieran O'Donnell:** How much of the €2.5 billion would have come from the GRG book and how much would have come from-----

**Mr. Andrew Blair:** The proportion related to the Republic of Ireland was €2.15 billion. I will not break it all down but there was a proportion related to buy-to-lets and private dwelling homes, which we have already discussed, and the remainder related predominantly to non-GRG assets.

**Deputy Kieran O'Donnell:** How much of the €12 billion relates to residential mortgages and how much relates to the SME sector?

**Mr. Andrew Blair:** Residential mortgages are only a very tiny proportion of that figure. As I said earlier, there were around 900 residential mortgages. The figure of about 200,000 or 300,000 will give the Senator an idea of how many mortgages were involved. It is very little. The vast majority of portfolio sales, far in excess of 90%, related to commercial real estate, with some element of SMEs.

**Senator Kieran O'Donnell:** There are 900 residential mortgages. What level relates to the SME sector?

**Mr. Andrew Blair:** Apart from buy-to-let mortgages, the remainder of that loan book was people who had borrowed less than 1 million in either euro or pounds sterling.

**Senator Kieran O'Donnell:** Mr. Blair will appreciate that the SME sector includes businesses as well as the distressed assets and in the farming sector it includes farms alongside farmlands. What level of value has gone in of those categories?

**Mr. Andrew Blair:** I do not have that information with me. We have a good idea of exactly how much of this was agribusiness and the rest. As the Senator maybe aware, the rest includes a significant number of primary businesses, including agricultural enterprises, to which an undertaking to buy a piece of land or a property as an investment was attached. When property prices fell, it was that which created the burden on what was previously a profitable business.

**Senator Kieran O'Donnell:** Where I am from, which is Limerick, Ulster Bank was seen as being at the forefront of SME and agricultural lending. When people were borrowing from the bank, they could hardly have expected to end up in vulture fund. Mr. Blair makes the point that it relates to assets. My point is that customers are concerned that they have a viable businesses, take a farm where someone might have borrowed on the basis of a building or maybe a venture that has nothing to do with the farm, the economy crashed and now they are in a position where the vulture fund could sell their farm, so that their means of livelihood is gone and they are no longer dealing with Ulster Bank. Did the bank seek any assurances from funds such as Cerberus that when the loans were being sold on it would be taken into account that these were family businesses? We are talking about family farms, which have been farmed by successive generations, and family owned businesses in the SME sector. Many people are sceptical, and feel that Ulster Bank outsourced the stripping of their assets in order to repay the loans. How does the bank respond?

**Mr. Andrew Blair:** The bank's primary goal has always been to support viable businesses. That applies to businesses that are family homes and also people with buy to let properties. To the extent that businesses are viable we will try to find a way to restructure them and support

them through that. The number of businesses that were once viable and became non-viable because of the economic crash was extremely high. It was an extreme time. We supported customers over very long periods of forbearance from 2009 to 2015 and simultaneously tried to rebuild an organisation that was capable of supporting growth for our customers for the future. Part of that process was resolving the significant overhang of customers with non-performing loans. We could not avail of transferring assets to NAMA at the larger end, and we had to resolve the matter for ourselves, and we set about doing so with the full knowledge and understanding of both our shareholder and ultimately shareholders and the regulators. We understand that there are customers who would prefer to be dealing with Ulster Bank still, rather than an investment fund, but we had to deal with the issues before us, which included a large overhang of customers whose situation we needed to resolve. We have tried to deal with customers whose businesses were viable and co-operated with us. During the period in question viability became very difficult for everyone and we appreciate that - people suffered and sacrificed enormous amounts for their businesses - but many businesses became unviable. There is no pleasure in this for us but we needed to resolve the situation.

**Senator Kieran O'Donnell:** The bank did not look for guarantees from the vulture funds in relation to how family businesses or family farms would be dealt with.

**Mr. Andrew Blair:** In the process of selling all those loans, all the rights and obligations that existed under the loan agreement and security agreements, and all the protections that those customers enjoyed through the regulatory process, whether it be consumer protection code of conduct or mortgage arrears, continue to apply. The assets which we sold are serviced by people who are regulated by the Central Bank and in the circumstances those customers enjoy the same protections, legally and regulatory, that they enjoyed when they were our customers.

**Senator Kieran O'Donnell:** Does Ulster Bank continue to be involved in any way in the management of any of these loans?

**Mr. Andrew Blair:** No, we do not continue to be involved in the management of any of the economic interest of that aspect, that is, the decisions about the credit. There are some residual cases where for particular reasons we still have a legal interest. We do not make decisions in relation to the credit of those customers.

**Senator Kieran O'Donnell:** I am looking for clarification about the GRS group. A company, West Register (Republic of Ireland) Properties Limited, was registered in 2009. What was its function within the Ulster Bank group?

**Mr. Andrew Blair:** The Senator will forgive me, but I was not involved in GRG then. My understanding is that West Register was a company that was set up to hold certain properties.

**Senator Kieran O'Donnell:** Was Mr. Blair a shareholder in that company?

**Mr. Andrew Blair:** No, I was not personally a shareholder.

**Senator Kieran O'Donnell:** Mr. Blair was not involved in that company?

**Mr. Andrew Blair:** No.

**Senator Kieran O'Donnell:** Had this group anything to do with GRS?

**Mr. Andrew Blair:** GRG.

**Senator Kieran O'Donnell:** Yes, GRG

**Mr. Andrew Blair:** West Register was managed by GRG.

**Senator Kieran O'Donnell:** Is it the holding company for GRG? Was it effectively the vehicle through which GRG worked?

**Mr. Andrew Blair:** No, the assets of GRG in Ireland were on Ulster Bank's balance sheet.

**Senator Kieran O'Donnell:** So GRG assets in Ireland were on Ulster Bank's balance sheet. I presume that West Register assets were also on Ulster Bank's balance sheet. Is that the case?

**Mr. Andrew Blair:** I presume it was. I could not be absolutely certain but I believe so.

**Senator Gerry Horkan:** I will pick up on Senator O'Donnell's point about West Register (Republic of Ireland) Limited. I have a set of accounts before me. In section 9 of the notes to the financial statement, directors and secretaries interest in shares, and they are the directors and secretaries of the RBS group, Mr. Blair is listed as a director of RBS. It is either the group but presumably, if it is the accounts for West Register, and the note relates to directors and secretaries interest in shares, it gives the name Mr. A. Blair. I am assuming that there are not two Mr. A. Blairs, but maybe there are.

**Mr. Andrew Blair:** I am not aware of that. I was never a shareholder of that company and I do not recall ever being a director of it. I might have to check that.

**Senator Gerry Horkan:** If Mr. Blair would come back to us on that we would appreciate it. I am referring to an extract that I was given, as was Senator O'Donnell, in which Mr. Blair is listed, presumably as a director of the RBS group. If it is referred to in the note of the West Register accounts, it looks as though Mr. Blair must have been a director. I am not saying that he was or was not but he might come back to us with clarification.

**Mr. Andrew Blair:** I can categorically assure the Senator that I was never a director of the RBS group, of that I am certain.

**Senator Gerry Horkan:** Maybe it was West Register, but we would like him to clarify this. There might be a contention that certain performance targets were met or otherwise, that Mr. Blair's own remuneration would be enhanced by certain behaviour one way or the other. I am aware that it is not unusual in the banking industry but it is something that we could clarify.

**Mr. Andrew Blair:** I will certainly clarify that for the Senator.

**Senator Gerry Horkan:** I do not want to go over old ground. I was here for almost all of the contributions and the opening statement. I have gone through the bank's questionnaire and listened to most of the other members' contributions. There are 200 staff working on the tracker issue and only 40 cases have been mediated. I accept that if I ask questions about the 40 it is with regard to approximately 1% so it may not be indicative of the overall. What has been the size of the remediation? There is the remediation element, as in bringing people back to where they were if it had not happened, and the compensation element. I was intrigued by why arrears versus non-arrears have different levels of compensation. Are we saying that people who were not in arrears got less compensation than people who were in arrears? Will the witnesses explain this to me?

**Mr. Paul Stanley:** On the compensation levels, it is compensation for the difficulty we put customers through, and it is not uncommon across the other banks as I understand. Those customers who were in arrears, particularly with the difficulties we caused by having incorrect tracker levels, have suffered more personal difficulty and harm, and hence this is what it is recognising versus those who were not. To be clear, we are fixing customers and they are getting remediated for the differential between the rate they were on and the tracker as it is happening. This is compensation.

**Senator Gerry Horkan:** Undoing the damage, but the compensation is in addition to that.

**Mr. Paul Stanley:** Correct.

**Senator Gerry Horkan:** I presume within the compensation is a time value of money and all of the opportunity costs and everything else.

**Mr. Paul Stanley:** There is a time value of money with a flat 0.5%. There is a formula in there, but it does not fall below 0.5% even though technically rates-----

**Senator Gerry Horkan:** It does not take into account the significant rise in the value of the property, in that somebody who had a certain amount of money in 2012 would have been able to buy a much better property with the same money than they could buy in 2017.

**Mr. Paul Stanley:** That is not part of the calculation.

**Senator Gerry Horkan:** That is not part of the compensation.

**Mr. Paul Stanley:** Sorry, to be clear, it could be deemed to be part of the compensation but it is not a specific calculation I should say.

**Senator Gerry Horkan:** But the bank is not giving them anything and acknowledging if they had been remediated five years ago they could have taken an amount of money and put it towards a property that would have been much better value than it has now.

**Mr. Paul Stanley:** The time value of money being an interest rate deposit type value as distinct from a property value is what we are dealing with.

**Senator Gerry Horkan:** And the bank's deposit rates presumably are no different from those of everybody else, at almost nil.

**Mr. Paul Stanley:** That is why we floored it, to be clear, at 0.5%. We could, if we were doing it purely on deposit rates, as the Senator said, come to zero.

**Senator Gerry Horkan:** Can we have an approximate scale? Were people getting €60,000 back and other people getting €600 back? Where is the upper end and the lower end of the issue?

**Mr. Paul Stanley:** I do not have the individual compensation calculations with me here today.

**Senator Gerry Horkan:** Would it be fair to say that if there is a provision of €200 million, which I presume includes a level of cost and staffing and so on-----

**Mr. Paul Stanley:** Correct

**Senator Gerry Horkan:** If we divide €200 million by 4,000 cases even, and I know we are at only 3,500, it is approximately €50,000 each, and there is an element obviously of legal costs and everything else in that. Have we any idea of what people are getting? There are 40 cases. It is tiny but it is something.

**Mr. Paul Stanley:** I do have them, but I just do not have them here with me today. To be clear on the ranges overall, there are some customers, as the Senator rightly said, who will be in the relatively low levels of compensation given the differentials and there are others absolutely who will be up to the €100,000 plus level. There is quite a range.

**Senator Gerry Horkan:** So there are cases-----

**Mr. Paul Stanley:** I am not talking about the 40, I am talking in general.

**Senator Gerry Horkan:** I accept that. Of the 3,500 or thereabouts to which we are now referring, Mr. Blair is saying there are people who will have remediation before compensation or including compensation of up to €100,000.

**Mr. Paul Stanley:** In the very specific cases we spoke about, where people have lost homes, we will go to customers with a full package of what they are getting and obviously, as I said earlier, the customer is entitled to appeal this if they do not believe for whatever reason it is appropriate. We will go with the full package.

**Senator Gerry Horkan:** In terms of the monetary amount of some of the larger compensation packages, Mr. Stanley is talking about figures of in and around €100,000.

**Mr. Paul Stanley:** A portion will be at that level. Other portions will be at the lower level but there will be some customers at that level.

**Senator Gerry Horkan:** Is €100,000 the maximum?

**Mr. Paul Stanley:** No-----

**Senator Gerry Horkan:** Could it be €500,000?

**Mr. Paul Stanley:** I am just saying €100,000 plus in some individual cases.

**Senator Gerry Horkan:** Based on the bank's existing information, and I accept it is not the whole way through all the phases yet, what is the maximum?

**Mr. Paul Stanley:** I do not have it with me here today, but I am telling the Senator there are some of more than €100,000.

**Senator Gerry Horkan:** But more than €100,000 could be €2 million.

**Mr. Paul Stanley:** No, it is not.

**Senator Gerry Horkan:** What is the maximum after €100,000?

**Mr. Paul Stanley:** I will have to look at it. I do not have it with me.

**Senator Gerry Horkan:** Any idea?

**Mr. Paul Stanley:** No. I would only be giving-----

**Senator Gerry Horkan:** Could Mr. Stanley supply those figures to the committee?

**Mr. Paul Stanley:** I would like to consider that. Let me come back to the Senator, if I may.

**Senator Gerry Horkan:** Fine, but sooner rather than later.

In terms of the LIBOR issue that affected the RBS group on a global scale in the UK and USA, was there any issue in Ireland? Was Ulster Bank fined or was any division of RBS Group in Ireland affected by the LIBOR issue?

**Mr. Gerry Mallon:** I am not aware of any local impact.

**Mr. Paul Stanley:** We had no costs for that. If there was anything, it was taken at a group level.

**Senator Gerry Horkan:** So there was nothing identified in the operation in Ireland that had any issue to do with that.

**Mr. Paul Stanley:** No. Again, it was before my time, but given the operations and the treasury function that was here at the time, I would be surprised if there was.

**Senator Gerry Horkan:** The likelihood of Irish citizens being affected by it through Ulster Bank's operations in Ireland is negligible.

**Mr. Paul Stanley:** Unless they were dealing directly with RBS, and some customers were dealing with RBS on that basis.

**Mr. Eddie Cullen:** Yes, that is correct. There was no impact in Ireland of the LIBOR issue.

**Senator Gerry Horkan:** The bank is acknowledging that some Irish customers could have had dealings with RBS in the UK or some other part of the world.

**Mr. Eddie Cullen:** Yes.

**Senator Gerry Horkan:** The witnesses did not have sight or knowledge of this, however.

**Mr. Eddie Cullen:** We were not directly involved in that, so I do not have the information as to exactly where the compensation landed.

**Senator Gerry Horkan:** Is the bank aware that there were Ulster Bank customers affected by it?

**Mr. Eddie Cullen:** I am not personally aware of any Ulster Bank customers who were impacted but we can check that. I am not aware of it. My suspicion is there was not, but we can check it.

**Senator Gerry Horkan:** In terms of the global restructuring group, GRG, which we covered quite comprehensively the last time the witnesses came before the committee, there was certainly a contention that it was set up to go into businesses and try to keep them going. Other people have told us this was not the case, and certainly there have been reports on how the GRG operated in the UK, where it was to get into businesses, get the existing owners or managers out and then dispose of the businesses relatively quickly. The suggestion was that the GRG was there to make businesses last with their current ownership and operational structures. It arrived as a white knight, but quite quickly it emerged, certainly in the stories we have been told, that

it was not half as helpful as was initially thought, and that ultimately a significant number of GRG customers were forced out of their own businesses. What is the response of the witnesses to this?

**Mr. Gerry Mallon:** I will preface this with my perspective on the GRG and ask Mr. Blair to comment on the detail of the numbers of the cases as they were worked through. GRG has been mischaracterised in public discourse somewhat as being a unit which in some way artificially distressed businesses to enable it to exploit them and claim their assets. I have seen no evidence in what I have seen of any of this conduct or behaviour happening in Ireland.

**Senator Gerry Horkan:** Does Mr. Mallon accept that it did happen in the UK? Various programmes made about the GRG in the UK contended it certainly did.

**Mr. Gerry Mallon:** I see the same media as everybody else, and I see allegations being made, and I know that RBS is firm in terms of its denials of that type of conduct and behaviour. RBS also came out with a very clear statement on the firm rebuttal of that type of underlying accusation. A Mason Hayes & Curran report was done in the Republic of Ireland, which found no instance of that type of behaviour. RBS undertook a process on a couple of identified flaws to try to remediate past issues, one being the issue that complaints of poor treatment of customers who were in the GRG were not properly looked at, and there was a fresh opportunity for customers to complain.

**Senator Gerry Horkan:** How many were examined in the the Mason Hayes & Curran debt report?

**Mr. Gerry Mallon:** A total of 32.

**Senator Gerry Horkan:** How many entities were in the global restructuring group, GRG?

**Mr. Gerry Mallon:** Approximately 2,000 in the Republic of Ireland.

**Senator Gerry Horkan:** Approximately 2,000.

**Mr. Gerry Mallon:** Just over 2,000.

**Senator Gerry Horkan:** As I remember from the last meeting, approximately 5% remained on Ulster Bank's books in the long term. Is that correct?

**Mr. Andrew Blair:** Correct. On the point the Senator has made about allegations in the media recently, particularly in Great Britain, I refer to what the Financial Conduct Authority, FCA, stated at the time. On 8 November RBS announced the actions it would take and those actions were undertaken voluntarily by it. The FCA stated it had seen no evidence that the bank had artificially engineered a position to cause customers to transfer to the GRG and that any customer transferred had been exhibiting signs of financial distress but that there was no widespread practice of transferring customers for inappropriate reasons. It went on to note that the bank's communications with customers could have been better during the transfer process. There was a focus on pricing in Great Britain of increased risk at the expense of consideration of long-term viability. Decisions made were not necessarily well documented and explained. The last point was about complaints. That is why actions were taken.

There are and have been allegations. As Mr. Mallon said, they are allegations. That is the position stated by the FCA in response to the decision by RBS to go voluntarily with the complaints process and the refund of fees. Beyond that, without getting into individual cases

and people talking about what happened to them, it is difficult to address. I return to the core objective of the bank in its totality - the GRG is a division of the bank - which is to take customers who are in distress and try to find ways to restore them. The reality is that, unfortunately, not all customers remain viable forever. Some, in circumstances that may be driven by actions of their own or the economic environment, will prove not to be viable and incapable of being restructured. I understand the Senator's concerns about the allegations made, but the most we can do is explain what exactly the FCA stated at the time and what its perception of the outcome was. It could not find support for the contention made in these allegations.

**Senator Gerry Horkan:** Was it purely related to Great Britain?

**Mr. Andrew Blair:** It was, but we voluntarily chose to apply the exact same process here. We have completed the complex fee process and are running the complaints process. The complaints we receive will be included in the process which includes independent third party oversight by a former High Court judge in Great Britain.

**Senator Gerry Horkan:** Approximately 2,000 accounts of various sizes were transferred to the GRG. They were mainly commercial accounts which included commercial businesses that might have started to speculate on property in addition to their main business. What proportion is the 2,000 of the overall number? Some 1 million accounts were mentioned, but they include deposit, retail and credit cards accounts and so on. What volume of accounts was examined to find the 2,000 that were moved? Would it have been 20,000 or 80,000?

**Mr. Andrew Blair:** I am not sure I know the precise figure for commercial customers in Ulster Bank.

**Mr. Gerry Mallon:** I believe there were 7,000 non-performing business loans.

**Senator Gerry Horkan:** Many loans were obviously performing. Were there 30,000 loans in total, of which 7,000 were not performing?

**Mr. Eddie Cullen:** At that point there would have been over 60,000 business customers.

**Senator Gerry Horkan:** There were 60,000 business customers-----

**Mr. Eddie Cullen:** Including commercial real estate accounts.

**Senator Gerry Horkan:** They obviously varied hugely in size, from relatively small high street shops to large property speculators and so on. Of the 60,000 loans, 7,000 were non-performing. Of those 7,000, 2,000 were moved to the GRG. Of those 2,000, 95% did not remain with Ulster Bank. Perhaps the delegates know at this stage what happened to the 95% that did not remain with Ulster Bank when they were moved to a vulture fund or other funds. Do they have any idea if half of them survived or if 90% did not?

**Mr. Andrew Blair:** No. We get the point the Senator is making about having sold loans to vulture funds, as they are called. My view is that they are people who have invested in the economy as much as anything else and we did not sell everything.

**Senator Gerry Horkan:** Ulster Bank sold 2,000 of 7,000 loans.

**Mr. Andrew Blair:** We sold development land assets to public companies which are now developing them, thus creating housing and employment. We sold investment property assets to people who are now building on them. They have played a part in the restoration of the

economy. We get a lot of heat on this point, but we did not have access to sell to the National Asset Management Agency. We helped to rejuvenate and restore the organisation. We still have a group of people whose core focus is on working with businesses to make them viable again and restructure them. We are successful in that task today. In the period 2010 to 2013 the country was being bailed out and customers were in difficulties. We supported them for a very long time. I think there is a balance somewhere.

**Senator Gerry Horkan:** Customers communicate with us. I have other examples of people with tracker mortgages and related issues which we have covered comprehensively. Customers have communicated with us about the GRG and said their customer agent, liaison officer or whatever one wishes to call that person was not the person they thought they would be. Will the delegates outline, from their perspective, the level of forbearance offered to some of these customers? I am not asking for individual examples. Earlier they said there was significant forbearance from 2008 onwards. What is their pitch on this? People lost their businesses and livelihoods. Many of them had spent years building up their business and felt it would have survived in the long run. As far as they are concerned, Ulster Bank pulled the rug from under them. I accept that the delegates will have a different perspective, but I would like to hear what it is and what the level of forbearance was.

**Mr. Andrew Blair:** The nature of the customers who were moved to the GRG was that they were typically persons who had missed either interest or capital payments. Others were in earlier stages of distress who would have breached covenants or undertakings they had made in respect of their financial performance or other terms and conditions of loan agreements. We were not moving customers who were in the category of doing everything expected of them within the confines of the contractual arrangements we had made with them. They were customers who had missed payments, of interest or capital, or who had breached loan covenants and needed attention. The intent, when we moved them to the GRG, was to try to give them the support they needed to survive. One could argue that it extended from the outset of the economic crisis in 2008 to 2015 before businesses began to see real recovery, probably in Dublin in the first place. I am sure others know outlying areas of the country much better than I do and who will say parts of the country have still not recovered from a business viability perspective. I understand people who run businesses have put their life, soul and blood into them and want to keep them alive, but there comes a time when any financial institution - Ulster Bank in this case - will need to make a decision on the future of these businesses and bring certainty to the situation. That uncertainty wears on the customers concerned and also on the bank. I am respectful of the fact that people want to keep their businesses alive, but it cannot be forever when circumstances are very difficult.

**Mr. Gerry Mallon:** I wish to add to the point about customers who have come with an issue or complaint related to the GRG. The new appeals process has been designed to attract and hear from that type of customer. There is an independent process, with a High Court judge overseeing appeals. I guarantee that the people concerned will receive a fair hearing.

**Senator Gerry Horkan:** May any of the 95% of the 2,000 people who were affected by Global Restructuring Group, GRG, still go to the appeals process?

**Mr. Gerry Mallon:** Correct, any former customer of GRG in whatever form.

**Mr. Andrew Blair:** May I just say that the link to the appeals process is available through our website. One can go straight there and-or one can also make a phone call. It is not just through a website process.

**Senator Gerry Horkan:** I thank you for that information.

**Chairman:** To further expand on Senator Horkan's questions on the GRG group and what is happening in the United Kingdom, the Financial Conduct Authority, FCA, in the UK ordered the report in 2014 into the allegations of 12,000 small businesses that it was meant to help - and I am reading from an article in the *Financial Times* and when the independent report was leaked to the BBC, that report is said to have found that 92% of viable businesses put into GRG experienced inappropriate action, such as unnecessary fees and only 10% of the companies that were put into GRG to be assisted actually returned to the bank. These are figures from a recent report in the UK.

Last year Royal Bank of Scotland, RBS, set aside £400 million to compensate small businesses. If you are compensating the small businesses that were affected by what happened to them in GRG, then that in itself is admitting you did not help them, that they were inappropriately put into this particular scheme in the UK and they were inappropriately then dealt with.

If I relate that to what is happening in Ireland, it is in effect the same thing and to a degree, and with respect to both Mr. Mallon and Blair, this is groundhog day. It is the same thing over and over again. I am interested in the aspect of the debate around GRG that relates to the number of businesses that were put into GRG that were associated with other businesses, other than the core business. What efforts were made by the bank to separate out the performing loans before the person was pushed through to GRG and then out? Why did the bank not make an effort in those years to save the better parts of the performing companies and businesses that had their accounts in the bank before you sent them all off? It was as if a decision was made to bundle the good, bad and the ugly into one basket and send them to GRG.

**Mr. Gerry Mallon:** Chairman, I will ask Mr. Blair to answer the second question which is about the efforts that were made to restructure those companies ahead of any portfolio sale or so on.

A remark I will make in relation to the Financial Conduct Authority FCA report - which, of course, I have not seen and which has not been published - is that the principal actions undertaken by RBS, which we are also participating in around the refund of complex fees and the establishment of a new complaints process to listen to companies who feel that they were mistreated or not treated properly at some way through the GRG process is something to which we subscribe and we are active in this process. Mr. Blair has already referred to this. I ask Mr. Blair to answer the other point.

**Chairman:** In answering that point, will Mr. Blair elaborate on the points both Senators O'Donnell and Horkan raised on West Register? Will he give us some idea of what it is about?

**Mr. Andrew Blair:** I will certainly try. On the compensation amount, the £400 million to which the Chairman referred, that has been set aside in order to meet the costs of the programme and also to refund the complex fees. In the context of the complex fees, I quoted some statistics for Ulster Bank earlier. The total amount involved is just more than €1 million, including interest, and it affects 19 customers that we have identified to date. We are very close to the end of that process.

In terms of the point raised by the Chairman about trying to separate customers that had businesses with attendant other debt that may not have related to those businesses originally but to some other activity, in many cases, property, during the period from 2008 to 2013, as I said

earlier real efforts were made to try to support customers to do things that would enable them to survive. In a normal environment some of those activities would have been to realise the assets that were creating the burden on those businesses. In that period, the ability to realise assets, as everybody who lives in the country knows, was extraordinary limited, if not non-existent for a period probably through to the end of 2012. If one were outside Dublin, it would be even more limited than that. Some of the actions that would have been available to people in order to restore businesses to health were effectively closed to them.

That is the perspective I have on this which is that real efforts were made to try to support people through to viability. The separate point, which comes up in some of the questions that have been asked, is whether we then took a decision to restore the bank to financial health and restore the balance sheet of the bank to put it in a position where it could begin to support and grow in the economy. We took the decision to realise those assets and by that I mean the loans and we did that with the full knowledge of our shareholder and indeed the views of the regulators taken into account as a necessary step to make Ulster Bank a viable business and to make Royal Bank of Scotland a viable business. That is why we did that. We did not “not seek” opportunities to try to separate businesses and give them a future, but at the end of the day, we had to take steps to restore the viability of our own business and we did what we thought was the right thing to ensure that we could remain a systemic organisation in this country.

The Chairman asked about West Register, let me go back and be absolutely certain about the issue of the directorship. I am absolutely certain as I sit here now that I never had a shareholding in West Register. I may have been a director of that company for a short period. I do not recall, but I will clarify that, Chairman.

**Chairman:** What was the function of West Register?

**Mr. Andrew Blair:** As far as I can recall, West Register’s function was to retain property assets.

**Chairman:** For who?

**Mr. Andrew Blair:** The bank.

**Chairman:** Mr. Blair’s bank,

**Mr. Andrew Blair:** Yes.

**Chairman:** Ulster Bank.

**Mr. Andrew Blair:** Yes.

**Chairman:** So it has a direct connection to Ulster Bank.

**Mr. Andrew Blair:** Yes. As far as I am aware, the shareholding was owned by Ulster Bank. Chairman, I really need to be absolutely clear.

**Chairman:** Does Mr. Mallon have anything to add?

**Mr. Gerry Mallon:** I am not familiar with West Register in any shape or form.

**Chairman:** It is part of Mr. Mallon’s bank

**Mr. Gerry Mallon:** Yes, I am not familiar with it at all.

**Chairman:** What properties does it hold?

**Mr. Andrew Blair:** I do not know Chairman. I have no idea. I do not know if it holds any properties.

**Chairman:** This West Register is part of Ulster Bank and neither Mr. Mallon nor Mr. Blair knows anything about it.

**Mr. Andrew Blair:** All I said was that I recognise the company. I do not know what activity it has in it right now, if it has any. Chairman, all I can offer-----

**Chairman:** Even back then, whenever it started, what was the purpose of West Register?

**Mr. Andrew Blair:** Chairman, I will go back and I will establish the facts and I will provide them to the committee because I do not want to give an erroneous answer.

**Chairman:** I think it is extraordinary that neither Mr. Mallon nor Mr. Blair knows what the bank is up to in West Register. I find it extraordinary. I cannot pursue it any more because neither one of you knows anything about it. We will pursue it again and the committee would like a comprehensive note on its function, its connection with the bank, the types of property it held or how property was transferred to it and what was expected of West Register, having had the property transferred to it. I think it is extraordinary that the witnesses do not know.

I dispute the fact with Mr. Blair about his efforts to restructure viable businesses. The correspondence I, as Chairman of the committee, and other members have received regarding GRG tells a different story. It is a story of viable businesses mixed in with businesses that were in difficulty, not being separated out. It is a story of the total package simply being dumped from Global Restructuring Group, GRG, to a vulture fund of some kind or another. That may have been a piece of work the witnesses undertook to save their bank or to better their balance sheet, but it distinctly contrasts with the action they have taken on the trackers.

The witnesses are talking about a bad time in their bank. I will give them an example of a bad time. I want to tell them about a customer, and this is on the tracker issue, which does not compare with how the bank dealt with the GRG customers. This person tells us that they overpaid their mortgage by approximately €400 a month. It is ongoing for the past seven years. They struggle with their monthly repayments and during that time they had to assist their two children who had Asperger's syndrome. They have gone to credit unions and banks for loans to support the care of those two children. The person says they have gone without food, without heat in their home, without holidays, and the children of that family are suffering to this day. They estimate they are owed approximately €30,000 and, I am sure, more from the witnesses' bank, and they still have not dealt with them. It is totally unacceptable, in any society, that the most vulnerable would be treated the way this family has been treated.

Do the witnesses know that in recent weeks, in the lead-up to this committee, the correspondence to the committee has peaked at an incredible high? I examined that correspondence and took from it the basics, and what it is telling us is that the bank's help line is a farce, that it does not give the answers or any comfort as to the timeframe for dealing with the issue, whether the individual is in scope or not, the level of compensation and so on. It is as if the bank just established it because the Central Bank said so, but the level of information is such that it is unhelpful because it adds to the frustration and anger of the person who contacts the help line in the first place.

Regarding help lines, I draw the witnesses' attention to other pieces of correspondence, which bear a trend across a huge number of customers. These people have failed to deal successfully with the bank, even on the most basic pieces of information, so they have taken to employing either financial consultants, people who would assist in that regard or legal representation. In spite of that, the bank has not responded. Again and again, it sends out the same letters that are full of nonsense about what it is doing. It does not answer any of the questions it has been asked and, in some of these cases, the person writing the letter tells us that the questions they have asked have not been acknowledged or answered and that the bank is not dealing with the questions in their lives that are critical to how they plan the rest of the servicing of their mortgage, and their lives. Does that not stand in stark contrast to how the witnesses said their bank dealt with the GRG issue and then turned around and failed the ordinary citizens of this State who find themselves being pushed all over the place? They write to us just to get the basic information.

I want to know what the witnesses intend to do to correct that and what they will do for individual families who find themselves in a particular set of circumstances where their quality of life is destroyed and where the children of that family are having to suffer as well. Will they give those families priority if they write directly to them? Will they instruct their staff to reply? Will they give the front-line staff the appropriate answers to the questions we are being asked, as a finance committee, to address? If they are so fond of their customers, why are they treating them very badly?

**Mr. Gerry Mallon:** Would the Chairman like me to respond?

**Chairman:** I would, yes. That is the purpose of the meeting, and I hope Mr. Mallon will give information to the customers.

**Mr. Gerry Mallon:** Clearly, the individual case the Chairman talked about is appalling and not at all unique, and it pains us to see customers in that kind of situation as a direct consequence of the actions of the bank. I have apologised, and I will continue to apologise and say that we will make it right for those customers.

It is clear that what we need to do to be able to restore the trust of customers is not only make up for what we have done in the past. It is not about what we do to put that right but how we do it. It is clear to me that there is a lack of clarity and transparency regarding what they can expect, when they can expect it and how we are seeking to resolve that. Based on the Chairman's feedback and that of others, it is clear there is more work for us to do in being helpful, transparent and giving people answers as to when they can expect a response and what that-----

**Chairman:** I am sorry for interrupting. Mr. Mallon knows this but he is talking back to me as if this was the first time he has heard it. He talks about being transparent and all the rest of it. I asked what Mr. Mallon will do to address the information deficit regarding the bank's front line and the help line. Second, I asked him about that particular case, of which there are many others - I have piles of correspondence here. What will he do to prioritise these families if they should come to him? Third, will the bank please answer the questions that are put in writing to it by representatives of clients who are suffering desperately as a result of the inaction of the bank to deal with their issues?

**Mr. Gerry Mallon:** Regarding the last issue, we will need to deal with each of the cases specifically and there may be some areas where an answer cannot be given because it is not clear. For example, if a customer asked about the specific compensation they are likely to re-

ceive, until that calculation is completed, and I have described some of the complexity of that, we are not capable of giving a response on that.

There is a need for us to improve the clarity around what we can say and when we can say it. There is a need for us to improve the transparency around the prioritisation process and therefore when individual customers can expect to find themselves in remediation. We need to do all of that in the context of the fact that there is oversight by the Central Bank and whatever we say, do and commit to needs to be something with which it agrees in terms of doing the right thing at the right time for the right customers. All we can do is keep working as hard as we possibly can in regard to remediating each of the individual customers.

**Chairman:** Can Mr. Mallon prioritise those families? Will he give priority to those families, whose children are being affected by this, should they come directly to the bank?

**Mr. Gerry Mallon:** I hesitate to say that-----

**Chairman:** “Yes” or “No” would be fine.

**Mr. Gerry Mallon:** -----I can give individual prioritisation on the basis of the people who write first. We need to look at and be clear about the criteria for the accelerated resolution, which are the priority categories and so on. The ones that are at the top of the pile-----

**Chairman:** When Mr. Mallon’s bank suffered, and I will come back to Deputy McGrath again and other members if they want to put questions, the bank took immediate aggressive action against those in the small and medium business sector by dumping them but when he is asked to save a family in distress, with special needs children whose lives are being affected, he cannot even answer “Yes”. When I asked him about the questions, he says he might not have some of the answers. For example, why were we placed in GRG? What was the expected outcome? The witnesses should know the answers to these questions and they should not have to get three reminders from a customer asking the same questions over and over again.

Mr. Mallon should not have come in here today to give us another groundhog day event with all this correspondence piling in on top of us. He has already received some of the correspondence and the bank has asked customers to contact it directly. The bank gives a phone number but when the customers contact the bank the person at the other end cannot even answer the questions. That is why people are annoyed. They have no confirmation of anything and nothing definite to say the bank will deal with their case with replies to the correspondence of which I have been speaking. It may be correspondence to us, as members of the committee, but it is also correspondence the bank has received. I find it shocking that, in some cases, the bank does not give a straight answer. I understand the complexities of this but the witnesses have been at this for a number of years and I am not at all happy at the manner in which they have replied to the questions here today. They have heard what I have said and are aware of the correspondence because it is copied to them. I would like to know, by return after this meeting, what they are going to do in regard to some of this correspondence. I will not press them further on it today but this is appalling behaviour on the part of the bank.

**Deputy Michael McGrath:** The issue of LIBOR in the UK was raised and RBS was fined £390 million in 2013 by the UK and US authorities. Was there any EURIBOR equivalent issue in Ireland for Ulster Bank?

**Mr. Gerry Mallon:** I am not aware of any.

**Mr. Paul Stanley:** It precedes my time and I am not sure if Ulster Bank treasury was part of the setting group.

**Deputy Michael McGrath:** There is a reference in the 2014 and 2015 Ulster Bank Ireland Limited accounts to a request by the Central Bank to the group, as well as to other Irish banks, to carry out a review of interest rate hedging products sold in the Republic from 2001 to 2012. It states that the review is being processed in line with the RBS approach and with the infrastructure of the wider RBS project. Was that work completed?

**Mr. Paul Stanley:** That is a different piece of work from the LIBOR work.

**Mr. Eddie Cullen:** That work was completed.

**Deputy Michael McGrath:** Did it raise any issues?

**Mr. Eddie Cullen:** Yes. We paid some compensation to customers. We followed a UK process which was stipulated by the FCA to define where interest rate derivative products, swaps and the like had been sold to SME-type customers.

**Deputy Michael McGrath:** What was the fall-out for Ulster Bank customers in Ireland? What was the global effect?

**Mr. Eddie Cullen:** We paid compensation but I cannot remember the amount off the top of my head. We closed the project over a year ago. The amount was less than €5 million.

**Deputy Michael McGrath:** Perhaps the witnesses will include the figure as part of its reply to the list of issues on which it is to get back to the committee. I have a question on the tracker examination and the approximately 1,000 customers of the 3,000 whom we regard as switchers. They have not got a huge amount of attention so far in relation to any of the banks and there has been little public debate on what is an important issue. These are customers whose mortgage has either been redeemed in full and their account closed or who switched their mortgage to another bank. The bank cannot do the same for the latter cohort as it has done for its existing customers, for whom the bank can stop the harm by putting them back on the correct rate. A person who switched to AIB may be paying a variable rate of 3.5% but if they were still with Ulster Bank they would be entitled to a tracker rate of 1%. How is the bank going to deal with that issue? Is the bank going to take them back as customers on a tracker rate?

**Mr. Paul Stanley:** There may be certain customers in this category but the starting point will be to work out, over the remaining period of the loan with the other institution, what the differential between the two rates would be, based on estimates of forward rates.

**Deputy Michael McGrath:** Does Mr. Stanley accept the principle that if these customers are, now and for the remainder of their loans, paying over and above what they should be paying to Ulster Bank on a tracker, this has to be part of the redress and compensation scheme?

**Mr. Paul Stanley:** Yes. It has to be part of the redress and compensation scheme.

**Deputy Michael McGrath:** On variable interest rates generally, there are three different loan-to-value, LTV, bands so if somebody submits an up-to-date valuation of their home and it results in them falling into a different LTV band, are they charged the new interest rate for their new band? Is it Ulster Bank policy that a customer can move?

**Mr. Paul Stanley:** They can move.

**Deputy Michael McGrath:** There has to be a valuation from an approved panel of valuers.

**Mr. Paul Stanley:** Yes.

**Deputy Michael McGrath:** Does the customer pay for the valuation?

**Mr. Paul Stanley:** I think they do.

**Deputy Michael McGrath:** I take it customers are not limited to moving just once, if their equity continues to improve.

**Mr. Paul Stanley:** Yes, for example if they pay down some of their loan.

**Deputy Michael McGrath:** If the Oireachtas were to move to ban cashback offers and to prohibit discrimination between new and existing customers, what impact, if any, would that have on Ulster Bank?

**Mr. Gerry Mallon:** We do not rely on either of those features. We neither offer cashback nor differentiate between present and past customers. We have transparent rates and offer existing and new customers exactly the same products.

**Deputy Michael McGrath:** Except that the bank pays up to €1,500 in legal fees.

**Mr. Gerry Mallon:** Yes, but this is not a cashback offer.

**Deputy Michael McGrath:** There are a range of different rates in Northern Ireland and the lowest is a mouthwatering one of 1.48%, where the loan-to-value is less than 6% in which case the rate is offered, on a fixed-rate basis, for two years. What happens at the end of the two-year period? What rate does the customer revert to?

**Mr. Gerry Mallon:** A Northern Ireland customer would revert to SBR, which is the norm in the UK.

**Mr. Paul Stanley:** Alternatively, they could move to another fixed-rate offering.

**Deputy Michael McGrath:** Is the offer only available for two years or can they roll it forward for a further period?

**Mr. Paul Stanley:** There will be a new offer.

**Mr. Gerry Mallon:** At the end of the fixed-rate period, generally speaking they will be able to select from our on-sale products.

**Deputy Michael McGrath:** I am not an expert on the Northern Irish market but my understanding is that, following on from these very attractive initial fixed-rate offers there is a lot of competition and the people on 1.5% do not go up to 3% or 4% after two years but get another offer, either from the bank or another lender. Is that the practice?

**Mr. Gerry Mallon:** Yes. The customer will generally go onto the SBR but they are open to move onto any other product and there is no tie-in period. They are free to shop around and they will be marketed.

**Deputy Michael McGrath:** It raises the obvious question of why there is such a differential. A customer in the North can get a two-year fixed rate for as little as 1.48% if they have low loan to value but in the Republic it is a three-year rate of between 2.9% to 3.25%.

**Mr. Gerry Mallon:** Our lowest is a four-year fixed rate at 2.6%.

**Deputy Michael McGrath:** The bank has a two-year rate in the North at 1.48% but the nearest here is a three-year rate at between 2.9% and 3.25%. It is an incredible difference, basically half.

**Mr. Gerry Mallon:** I will ask Mr. Stanley to comment on funds and costs.

**Mr. Paul Stanley:** The principal issue here aside, from the difference between euro and sterling rates, which is the real issue, is the capital that is required against loans in the Republic of Ireland versus the UK, because of the difficulties and the mistakes of the past. It is a lot more than is required in the UK, not just for us but for the other Irish banks as well. That is the principal differential between the two. We require capital and capital requires a return and there is substantially more capital required on a mortgage loan here in the Republic of Ireland than for an RBS or Ulster Bank loan in the North of Ireland.

**Deputy Michael McGrath:** So it is a regulatory issue.

**Mr. Paul Stanley:** Yes, it is the capital that is required, which is driven by regulatory requirements. Nothing is wrong in that capital being required but that is what is required.

**Deputy Michael McGrath:** Could Ulster Bank in the Six Counties sell a mortgage to somebody with an address in the Twenty-six Counties?

**Mr. Gerry Mallon:** I think it is generally the policy not to lend on assets that are in a different jurisdiction because there are cross-jurisdictional issues in respect of-----

**Deputy Michael McGrath:** Is that the bank's policy or is it the regulatory position?

**Mr. Gerry Mallon:** It is the bank's policy but I think there are legal and regulatory complications as well. If the legal entity in the North was selling and securing a mortgage on somebody in the Republic then that would be a mortgage in the Republic and it would attract Irish regulation and Irish capital standards and so on, and require an Irish licence.

**Mr. Paul Stanley:** If a customer were to go over the Border, and even being able to do that if all of their income is in euro he or she would have a currency risk as the repayments to a loan in Northern Ireland would be in sterling.

**Deputy Michael McGrath:** Yes, but is the policy that the property being mortgaged must be in the Six Counties?

**Mr. Paul Stanley:** To be clear-----

**Mr. Gerry Mallon:** The property must be in the North.

**Deputy Michael McGrath:** Yes, in the North.

**Deputy Pearse Doherty:** I was going to come in on the interest rate differential but Deputy McGrath has covered that. I seek a clarification from Mr. Stanley about phase two. We discussed this earlier but for complete clarity, what is required from the Central Bank is a final report following completion of phase two of the examination to be submitted to the Central Bank by no later than the close of business on 30 September, along with the assurance and sign-off of the external independent party with regard to all aspects of works being done. Has that been done?

**Mr. Paul Stanley:** I am sorry but I was confused by the question. The phase two report itself was submitted on 31 March.

**Deputy Pearse Doherty:** Is that the final report?

**Mr. Paul Stanley:** Yes, that is the report that has gone in from us, for their assurance. The reference to phase three was confusing me earlier. I apologise for that.

**Deputy Pearse Doherty:** That is okay. I want to discuss the global restructuring group, GRG. How many of the companies had shadow directors appointed to them?

**Mr. Andrew Blair:** I could not answer that question. I do not believe that shadow directors are appointed *per se*. I do not believe when it comes to the concept of a shadow director that anyone says they are putting in a shadow director. Anybody assuming a role which had “shadow” in the front of it would mean he or she would be assuming potentially fiduciary responsibilities in respect of the company. If the question was potentially where we had independent banking reviews carried out by professional firms, I may be able to clarify that for the Deputy in terms of the numbers, although I do not have them with me. I do not know how to answer the question on the concept of a shadow director in that sense.

**Deputy Pearse Doherty:** What was the gross value, roughly, of the accounts transferred to GRG in Ireland?

**Mr. Andrew Blair:** Approximately €15 billion in the Republic of Ireland

**Deputy Pearse Doherty:** What was the net book value including write-downs attributed to the value on the accounts?

**Mr. Andrew Blair:** We have not disclosed that.

**Deputy Pearse Doherty:** The bank has not disclosed that.

**Mr. Andrew Blair:** No.

**Deputy Pearse Doherty:** Were the GRG managers on a bonus? Was a bonus system in operation?

**Mr. Andrew Blair:** Let me be clear, I was not in GRG at the time but the bank had a bonus system.

**Deputy Pearse Doherty:** What role did Mr. Blair have at that time?

**Mr. Andrew Blair:** What role had I?

**Deputy Pearse Doherty:** Yes.

**Mr. Andrew Blair:** At what point?

**Deputy Pearse Doherty:** At the time when the assets were being transferred to GRG and companies were being put into liquidation.

**Mr. Andrew Blair:** I had various roles in the credit risk function.

**Deputy Pearse Doherty:** Did GRG operate on a bonus structure?

**Mr. Andrew Blair:** The bank had a bonus scheme which I assume would have had applied in GRG just as much-----

**Deputy Pearse Doherty:** Does Mr. Blair not have the details of how it applied in GRG?

**Mr. Andrew Blair:** No, I do not.

**Deputy Pearse Doherty:** A number of colleagues were discussing the issue of a subsidiary of the bank, West Register Property Limited. The Chairperson asked some basic questions. I am very frustrated that basic answers could not be given. Mr. Blair seems to have very little knowledge of the operations of West Register. Why is that?

**Mr. Andrew Blair:** I never worked in GRG. That is probably the simplest way to answer that.

**Deputy Pearse Doherty:** Could I ask Mr. Blair to clarify this? Is his middle name Cunningham?

**Mr. Andrew Blair:** Yes.

**Deputy Pearse Doherty:** Is he a Rathfarnham man?

**Mr. Andrew Blair:** Yes.

**Deputy Pearse Doherty:** Is his birthday this month?

**Mr. Andrew Blair:** Yes.

**Deputy Pearse Doherty:** I put it to Mr. Blair that not only should he have knowledge of West Register but he was a director of two of the companies of West Register and that can be confirmed using an iPad or a phone at this point. Under SoloCheck, Mr. Blair is listed as the director of West Register (Republic of Ireland) Property Limited, and he was also the director of West Register (Northern Ireland) Property Limited. If he wants me to let him know I can tell him the date he was appointed and the date he resigned from that company. To come here and blank us in response to basic questions on West Register when he was a director of both companies is just unbelievable. It is not acceptable. Will Mr. Blair correct the record? I can tell him the dates or give him the names of the other board members as that might help to refresh his memory that he was indeed a director of West Register, which he denied earlier to my colleague, Senator Horkan.

**Mr. Andrew Blair:** So-----

**Mr. Gerry Mallon:** If I might respond, Chairman-----

**Deputy Pearse Doherty:** Could I ask Mr. Blair to respond as I put a direct question to him as to whether he was appointed on 29 June 2009 a director of West Register (Northern Ireland) Property Limited, and was also a director of West Register (Republic of Ireland) Limited?

**Mr. Andrew Blair:** I would like to look at the transcript of the question I was asked, which had an aspect of shareholding and director in it. If I answered the question in relation to shareholding I have clarified that. I do not believe I ever had a shareholding in the company. Deputy Doherty has put on the record the fact that I was a director. I do not disagree with that. I accept that is the point.

**Deputy Pearse Doherty:** So Mr. Blair does accept that he was a director.

**Mr. Andrew Blair:** Yes.

**Deputy Pearse Doherty:** Prior to pointing out to Mr. Blair that he was a director of both companies, when I asked him how he had very little knowledge of West Register he said he was not a member of GRG at that time.

**Mr. Andrew Blair:** Correct.

**Deputy Pearse Doherty:** Which is a factual position, but he did not disclose to me in a truthful, honest and fair way - so many hours into this committee after a number of my colleagues asked the question - that he was a director of those companies, he was not just an employee, for a number of years. There is no reason he would not have a basic knowledge of how West Register operated, given the duties and legal responsibilities he had as a director of both those companies.

**Mr. Andrew Blair:** Deputy Doherty asked me what was my role in GRG.

**Deputy Pearse Doherty:** No, I did not; I asked Mr. Blair how come he has such little knowledge of West Register.

**Mr. Andrew Blair:** Let me just clarify. I have never worked in GRG.

**Deputy Pearse Doherty:** Let me ask Mr. Blair the question again. The question I asked originally was how come he has so little knowledge of West Register.

**Mr. Andrew Blair:** With respect, this goes back to a period pre-2010, which is heading for ten years ago.

**Deputy Pearse Doherty:** Mr. Blair was a director until June 2011.

**Mr. Andrew Blair:** I was a director of the company. I do not recall what activity went through that company at this remove. I can absolutely establish what activity went through the company at this remove but I cannot answer it now. Deputy Doherty might be very unhappy about that. I can understand that but I am not able to answer the question right now. In terms of the specific activities that went on inside the company, I will happily try to respond to the question.

**Deputy Pearse Doherty:** I will finish on this point. I put it to Mr. Blair that he deliberately concealed the fact that he was a director of that company from this committee today in response to questions from Senator Horkan and the Chair. When I put it to Mr. Blair that he had so little knowledge of the company he answered by saying he was not involved in a separate entity, namely, GRG, but at no time did he disclose, until I put the records to him, that he was a director of this company, thus requiring a correction to the record of this committee. Mr. Blair and a number of his colleagues, at a time when other directors were being brought before the House of Commons select committee, resigned from the company. What was his motivation in resigning?

**Mr. Andrew Blair:** The first thing that I would like to respond to is the Deputy's suggestion that I deliberately tried to mislead the committee. I absolutely refute that allegation. In terms of my recollection of West Register, which is quite some time ago, I do not recall but I will quite happily go away and establish the facts with regard to the performance of that company or what

was involved-----

**Deputy Pearse Doherty:** Does Mr. Blair recall that he was a director? Can we clarify that?

**Mr. Andrew Blair:** I accept that-----

**Deputy Pearse Doherty:** Thank you.

**Mr. Andrew Blair:** -----but I absolutely refute that I tried to mislead the committee.

**Deputy Pearse Doherty:** My recollection of the committee - we can look at the transcripts but Senator Horkan might like to interject here - is that a direct question was put to Mr. Blair about the accounts in the context of his directorship. Mr. Blair answered that he was not a director of West Register and was never a director of the group, which this committee never claimed he was.

**Mr. Andrew Blair:** If the outcome of this is that I did not preface this by saying I did not recall being a director, then I will apologise for that but I did not try to mislead this committee.

**Deputy Pearse Doherty:** Mr. Blair was a director of the company at a time when assets of customers of the bank were being seized or moved into the company.

**Mr. Andrew Blair:** If assets were moved into the company during that period - all I am saying is that I do not recall the activity that went through that company in the period at this remove.

**Deputy Pearse Doherty:** During the years in which Mr. Blair was a director of the company he does not know what the company was doing.

**Mr. Andrew Blair:** I did not say that-----

**Deputy Pearse Doherty:** Okay, Mr. Blair said that he does not recall what the company was doing.

**Mr. Andrew Blair:** That is precisely what I said. I said that I do not recall what activity precisely went through those companies at that time. I did not say I do not know what it was doing.

**Deputy Pearse Doherty:** What was the purpose of the company at the time when Mr. Blair was a director?

**Mr. Andrew Blair:** As I recall it, the company was a property holding company.

**Deputy Pearse Doherty:** How did it acquire the assets?

**Mr. Andrew Blair:** I would like to go away and clarify precisely the circumstances because no two situations were the same, I would suspect.

**Deputy Pearse Doherty:** Mr. Blair may, I am sure, write to the Chairman with that clarification.

**Mr. Andrew Blair:** I would be happy to do that.

**Deputy Pearse Doherty:** We can furnish Mr. Blair with a transcript of the questions that were put to him, including those from Senator Horkan and me, in respect of him denying being a director of the company and speaking of how he had little knowledge of the workings of the

company of which he was a director for a number of years.

**Mr. Andrew Blair:** My only remaining comment on this is that I do not dispute that I was a director of the company. If I did not put the phrase “I do not recall being a director of the company” in response to the first question, which I believe had a query about both shareholding and directorships, then I apologise for that but I, at no point, sought to deceive.

**Deputy Pearse Doherty:** Let us be fair here. Let us say that Mr. Blair said that he did not recall. He did not recall an hour ago being director of both companies. Is that the case? Is that what he is saying now? Is he saying that an hour ago, when the Senator asked him the question, his position is that he did not recall being a director of these companies for a period of a couple of years. Is that his position? Now he does recall, however, because I pointed out that in the company’s records-----

**Mr. Andrew Blair:** The Deputy has made a statement of fact. I accept that fact.

**Chairman:** Senator Kieran O’Donnell is next.

**Senator Kieran O’Donnell:** Was the global restructuring group, GRG, a separate legal entity or was it just a division within the Ulster Bank group?

**Mr. Andrew Blair:** It was a division.

**Senator Kieran O’Donnell:** Was West Register (Republic of Ireland) Property Limited, in essence, the GRG for Ireland and the assets in Ireland?

**Mr. Andrew Blair:** No, GRG was a division of Ulster Bank.

**Senator Kieran O’Donnell:** West Register (Republic of Ireland) Property Limited held assets. Mr. Blair did say-----

**Mr. Andrew Blair:** I believe it did.

**Senator Kieran O’Donnell:** It did hold assets.

**Mr. Andrew Blair:** I believe it did.

**Senator Kieran O’Donnell:** It was set up in 2009-----

**Mr. Andrew Blair:** I cannot confirm that.

**Senator Kieran O’Donnell:** Mr. Mallon is the chief executive officer, CEO, of Ulster Bank. The ordinary person looking in will find it astounding that the witnesses would not know. Who signs the annual accounts of the Ulster Bank group in Ireland?

**Mr. Gerry Mallon:** As chief executive, I do.

**Senator Kieran O’Donnell:** Is West Register (Republic of Ireland) Property Limited still alive?

**Mr. Gerry Mallon:** I cannot answer that question. It is clear that, as a panel, we have limited information on the operations of West Register. From my own perspective, its purpose and its activities during the period from 2009 to 2011 or whatever period is under scrutiny, as the Chairman suggested earlier, should be examined. I would be happy to supply-----

**Senator Kieran O'Donnell:** It is concerning that representatives of a group of the size of Ulster Bank are not able to answer these basic questions. If a person went into Ulster Bank for a loan, was asked about a property that he or she owned and said "I have no knowledge", the loan application would be refused on credibility grounds. Is it credible that Ulster Bank and Mr. Mallon, as CEO, would not be aware of a subsidiary company? It is not just a subsidiary but one that is incorporated in the Republic of Ireland. Mr. Mallon is CEO of Ulster Bank for both the Republic of Ireland and Northern Ireland, I presume.

**Mr. Gerry Mallon:** I do not perceive that this forms a material part of Ulster Bank today but to the extent-----

**Senator Kieran O'Donnell:** Does Mr. Mallon believe it held little or no assets?

**Mr. Gerry Mallon:** What I am saying is that we are lacking any real detail to be able to answer that kind of question. I do not perceive that if it was any kind of material entity at the moment or had any material bearing on the Ulster Bank's current status or accounts that we as a board view currently, that it would be in any way not effectively scrutinised. Therefore, I perceive that it is not a material part of the business today.

**Senator Kieran O'Donnell:** Is the GRG concluded as a division within Ulster Bank?

**Mr. Gerry Mallon:** Yes.

**Senator Kieran O'Donnell:** What would have been its total assets or the total value of the loans it managed at its peak or on conclusion?

**Mr. Andrew Blair:** At peak it would have been something like €15 billion.

**Senator Kieran O'Donnell:** Would that have been purely related to Ireland or to Ireland and the United Kingdom?

**Mr. Andrew Blair:** GRG was run on an all-Ireland basis.

**Senator Kieran O'Donnell:** In terms of the €13.7 billion of loans that were sold on to investment vulture funds, would they have all come out of the GRG?

**Mr. Andrew Blair:** Other than the last case mentioned in the answer to question No. 13 in the booklet, which the Senator referred to earlier, yes.

**Senator Kieran O'Donnell:** It would be fair to say that loans of the order of €11 billion to €12 billion come from GRG. Therefore, that group as a division was effectively the vehicle through which loans ended up in investment vulture funds.

**Mr. Andrew Blair:** Can I just clarify something?

**Senator Kieran O'Donnell:** Yes.

**Mr. Andrew Blair:** GRG's role during the period was to restructure companies and support companies to recover. That was the core role of GRG. The fact that the assets and loans that were managed by GRG - or the vast majority of the portfolio - became part of or ended up in RBS Capital Resolution Ireland and were ultimately sold off does not mean that GRG was the genesis of that portfolio sale. That was a decision made by RBS and Ulster Bank in the context of the overall business.

**Senator Kieran O'Donnell:** In substance, the loans that were sold were managed for a significant period by the GRG.

**Mr. Andrew Blair:** Correct, because they were in distress.

**Senator Kieran O'Donnell:** The greater majority of loans that were managed by the GRG ended up in investment vulture funds. In substance, that is what happened. The ordinary business person looking in might ask whether the GRG was set up as a vehicle to sell off loans that were causing difficulties for the balance sheet of Ulster Bank in order that the bank itself would not be seen to sell loans directly to investment vulture funds. What the bank did instead was move them to a warehouse - the GRG group - for a period and they then found their way into investment board functions.

**Mr. Andrew Blair:** When the loans were transferred to the GRG in the period 2009 to 2011, the intention was that they would be supported and restored. The fact is, however, that they ultimately ended up being included in a series of loan portfolio sales as a means of resolving the issue.

**Senator Gerry Horkan:** When I asked Mr. Blair about being a director, he definitely said he was not a shareholder. I think he also said he did not think he was a director, but he did not say he definitely was not. That is my recollection. He definitely said, however, that he was not a director of the RBS Group. It would be fair to contend that he is or at least was definitely a shareholder.

**Mr. Andrew Blair:** I was absolutely clear when I answered that question.

**Senator Gerry Horkan:** I accept that.

**Mr. Andrew Blair:** I am a shareholder in RBS.

**Senator Gerry Horkan:** Two companies were involved. The answer was along the lines of "I am not a director of one and I am not a shareholder in the other." The corollary is that Mr. Blair was, in fact, a director of one and a shareholder in the other.

**Mr. Andrew Blair:** Yes.

**Senator Gerry Horkan:** That may not have come out in Mr. Blair's contribution, but that is my recollection. The transcript may clarify the matter.

**Mr. Andrew Blair:** I will restate what I said. I was never a director of RBS Group plc. I do, however, have shares in RBS Group plc. I do not believe I was ever a shareholder in West Register.

**Senator Gerry Horkan:** West Register probably does not have shares. It is probably owned by the RBS Group.

**Mr. Andrew Blair:** It is owned by Ulster Bank. The fact that I was a director has been established.

**Senator Gerry Horkan:** Mr. Blair contends that the purpose of the GRG was to make businesses viable. The fact that only 5% of the 2,000 loans remained with the group suggests to me the GRG was an abject failure in that regard. If it was set up to try to make businesses viable and keep things going, it is clear that it did not.

**Mr. Andrew Blair:** I have been asked how many of the companies that were disposed of are still in operation today. I cannot know the answer to that question because we do not track what happens after a sale. The primary goal of the GRG when it was set up was to support customers. One cannot make unviable businesses viable through financial actions alone; they have to be viable in and of themselves. Ultimately, the bank made a strategic decision at both RBS and Ulster Bank level, with full oversight by everybody, including our partners.

**Senator Gerry Horkan:** It just sounds like the premise was to set up the GRG in order to retain customers. It is my contention that it was not a great success, given that only 5% remained with the group in the long term. I accept that some of the companies involved might have survived under different ownership, but we cannot know if that would have been the case.

My final question concerns the 1,000 or so accounts of the so-called “switchers”. Of the 3,500 mortgage customers in question, 1,000 or so are no longer customers of Ulster Bank. How have they been contacted? The bank presumably has details for some of them, but they may not be up to date. Some of the customers may have died; some may have moved house and some may have emigrated. Of the 1,000, with how many has Ulster Bank been in contact? I do not mean merely writing them a letter; how many of them have actually interacted with the bank? Are we talking about 400 or 950? Does the bank have an ongoing relationship with most of them? It is clearly the case that the records held by the bank of the people concerned are not as up to date as they are for existing customers. Some of them would have moved without getting in touch with the bank; therefore, it might not be aware of it.

**Mr. Gerry Mallon:** I will look to Mr. Stanley to clarify the details, but it is my belief most of the customers would not have been contacted because they were not part of the phase 2 process.

**Mr. Paul Stanley:** Those we can identify are among those who have initially-----

**Senator Gerry Horkan:** I am sorry to cut across Mr. Stanley, but, presumably, the bank can identify all of them. Mr. Stanley mentioned “those we can identify,” but the bank has identified 1,000 accounts.

**Mr. Paul Stanley:** Yes. As the Senator pointed out, some of them have changed address and the like and their accounts are no longer with us. If they are with another bank, we can try to-----

**Senator Gerry Horkan:** How will they know if they are affected if Ulster Bank has been unable to contact them?

**Mr. Paul Stanley:** To be clear, we have addresses for a lot of them. What I am saying is that there are challenges in contacting a portion of them. Those for whom we have addresses are part of the compensation remediation process under way.

**Senator Gerry Horkan:** Can we get a breakdown of the figure of 1,000, if possible? To how many has the bank written and how many have responded? Is it 400, 600 or 950? Perhaps Ulster Bank might then think about engaging in an advertising campaign asking the wider public if they were Ulster Bank mortgage holders who switched their accounts and stating they might have been affected by the tracker mortgage issue. It is one thing if the number only comes to 50, but it could be half or three quarters of the total. Even if only one family has been affected - we have heard about many cases, as the Chairman mentioned - that family is still entitled to redress. Ulster Bank would be chasing them if they owed it money. They are

entitled to be aware of this issue. It is clear that some of them must not be if the bank has not yet contacted them.

**Mr. Paul Stanley:** We are making every effort to contact them, but there will be some cases where we will hit a brick wall.

**Senator Gerry Horkan:** Can we, please, have the figures?

**Chairman:** We will ask the delegates to respond. I ask them to look at the transcript of the meeting which will be made available to them by the clerk and then give a comprehensive response on the outstanding matters not dealt with. I also ask Mr. Mallon to review the policy of Ulster Bank on customers who find themselves in the category I have described. I thank the delegates for attending.

The joint committee adjourned at 1.05 p.m. until 9.30 a.m. on Thursday, 12 October 2017.