

DÁIL ÉIREANN

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

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

Déardaoin, 1 Feabhra 2018

Thursday, 1 February 2018

Tháinig an Comhchoiste le chéile ag 9 a.m.

The Joint Committee met at 9 a.m.

Comhaltaí a bhí i láthair / Members present:

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

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

European Union Matters: Commissioner Valdis Dombrovskis

Chairman: I welcome Commissioner Dombrovskis, Vice-President for the euro and social dialogue. He is also responsible for financial stability, financial services and the capital markets union. I welcome his colleagues from the European Commission.

I wish to advise the witnesses that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. I invite the Commissioner to make his opening statement.

Mr. Valdis Dombrovskis: Good morning distinguished Members of the Seanad and Dáil. I thank the Chairman and members for welcoming me to Dublin and giving me this opportunity to come to the Oireachtas to discuss the European semester and economic developments in Ireland and the European Union.

My visit is taking place in the context of the European semester, which has become our main economic and fiscal policy co-ordination tool, and we have an opportunity to discuss with member states key fiscal, economic and social challenges. In the European Semester Office we prepare country reports. In line with the practice established last year, we sent the analytical parts of the draft country reports to the member states, waiting for their factual comments and inputs. The negotiated country reports provide countries with the opportunity to view the factual feedback. We found it quite useful when we first did it last year.

As regards the situation in Ireland and Ireland's position as regards the European semester, first, we have seen strong economic growth in Ireland last year, close to 5%, and this year the economic growth is close to 4%. The economy is developing, unemployment is reducing and job creation is proceeding at a good pace. All in all, we see positive developments in the Irish economy.

As regards Ireland's fiscal performance, Ireland has made a major adjustment since the crisis and this year we expect Ireland to meet its medium-term budgetary objective. According to the European semester, we set the medium-term budgetary objectives for each EU member state to meet. In the case of Ireland, it is 0.5% of GDP structural deficit and now we forecast that Ireland will actually reach the medium-term budgetary objective. What is important is that public debt is reducing. The figures for public debt need to be interpreted with caution because in 2015 there was a major readjustment of the calculation of Irish GDP and also the debt-to-GDP ratio decreased very rapidly, but if we use other measures to do this assessment, like public debt *per capita* or public debt per tax revenue, we still see that Ireland has quite high public debt and is exceeding the Maastricht criteria threshold of 60% of GDP. It is important to stay the course and continue to reduce the public debt. It is also important in the context of potential

economic shocks, which Ireland may face. In our assessment, a most immediate and imminent issue which we will need to deal with is Brexit. Brexit is a potential source of uncertainty, especially in Ireland which has the closest economic links with the United Kingdom of the EU 27 countries. The European Union is ready to stand by Ireland and support Ireland in this process and also to address negative economic consequences that Brexit may bring.

As regards the European semester, we also issue country-specific recommendations to address certain challenges which we think are important. In the case of Ireland, we have three country-specific recommendations. First is a fiscal recommendation and I touched on this when I spoke about the medium-term budgetary objective. I stressed the need to continue to reduce public debt. In terms of the prioritisation of public expenditure, we propose to prioritise investment, especially in areas of transport, energy, water supplies and also to enhance social infrastructure, including social housing and child care facilities. This is one of the directions where we think there are infrastructural bottlenecks which need to be addressed.

On the social side, we see that while unemployment is decreasing, there are still issues in terms of activation policies and a relatively high share of low-skilled workers. The level of participation of women in the marketplace is below the EU average. We recommend the delivery of an integrated package of activation policies to improve the employment prospects of certain categories of people.

Our third recommendation concerns the financial sector and the need to address the level of non-performing loans. This is in a sense a legacy of the crisis not only in Ireland but in many European countries, so we are currently developing action plans to reduce the number of non-performing loans at EU level. It is worth pointing out that, primarily, this is still the work of the member states and much progress has been done on this in Ireland. In mid-2017, which are the latest verified figures we have, the non-performing loans, NPLs, ratio stood at 11.6%, which is still high compared with most historical levels and with other EU countries. Further work is needed on NPLs. We will also be bring forward an action plan to reduce NPLs at European level, working on several directions, requiring banks to put sufficient means or to create sufficient buffers to cover losses if new loans become non-performing, to tackle delays in debt recovery, and, in terms of insolvency and loan enforcement frameworks, to open up secondary markets. We will bring forward a blueprint on how to set up national asset management companies within the EU state aid and banking union framework. Of course, Ireland has the National Asset Management Agency, which is already working. Perhaps this work theme is not so relevant in the case of Ireland. Those are our main findings in terms of the European Semester. Overall, in Europe we currently have good economic development. The latest figures show that last year we had 2.5% growth both in the EU as a whole and in the euro area. We should be using this good economic momentum to continue the work on deepening the economic and monetary union, EMU.

I will say a few words on that work stream. As the members will be aware, in December the European Commission put forward a package of proposals on how to proceed with deepening the EMU. We consider the most immediate priority to be the completion of the banking union and capital markets union. In the case of the banking union, all the elements are already on the table. I refer to our bank reform package, which we put forward in November 2016, which mainly concerns risk reduction, and the ongoing work on reducing non-performing loans. Also, last October we came forward with some ideas on how to unblock the discussions regarding the European deposit insurance scheme. We believe it is important to reach an agreement on the fiscal backstop for a single resolution fund. We believe this can be done on the basis of the

European Stability Mechanism or, potentially, as we propose to transpose it to the European monetary fund.

Looking forward in terms of deepening EMU, we want to reach two objectives to strengthen the resilience of the EMU and to improve the crisis management tools of EMU. In terms of resilience, there are the risk reduction measures, which I already described, but also a continued focus on structural reforms. We have some proposals on how we can further support structural reforms in member states. We propose a structural reform delivery tool as a support mechanism and we propose to extend our existing structural reform support programme.

In terms of crisis management tools, we already have the European Stability Mechanism, ESM, which we propose to strengthen and transpose into the European monetary fund, anchored in a European Union legal framework. We propose to create a euro area of fiscal stabilisation function to help countries to address large economic shocks, asymmetric economic shocks, and this euro area of fiscal stabilisation function could take place in a form of European investment protection scheme. The problem is often that investment is the first item to be cut in times of fiscal strain and then it undermines the recovery and potential growth of a country. Therefore, we propose this European investment protection scheme to sustain a level of investment during the crisis.

We also propose to have a dedicated convergence facility to support those EU member states which are working towards euro adoption. Primarily, I am talking about technical assistance and, in some cases, it can also be financial assistance. It will send an important signal that the euro area is open and transparent to non-euro countries, that we do not want to create new dividing lines in Europe and that we are willing to support those countries which are working towards euro accession. That, at a glance, outlines the main ideas and elements of our deepening of the EMU package. Those are my introductory remarks and I am open to hearing members' comments and taking their questions.

Chairman: Thank you, Mr. Dombrovskis. I call Deputy Michael McGrath.

Deputy Michael McGrath: The Commissioner and Vice-President of the European Commission and his team are very welcome. I would like to raise a few issues with him. I note his list of responsibilities includes proposing measures to make financial services work better for consumers and retail investors. A key consumer issue in Ireland regarding financial services is the very high mortgage interest rates charged to Irish consumers. In Ireland, the official Central Bank Statistics show that for all new mortgages, whether they be variable or fixed rate, 3.18% is the average rate. In the eurozone the equivalent is 1.83%. We regularly see publicity around interest rates as low as 1% to 1.5% across Europe and consumers here are paying, in some cases, more than 4%. We do not have a fully functioning Single Market in the area of financial services. Therefore, people in Ireland find it difficult to understand why they cannot access cheap mortgage rates that are available elsewhere in Europe. Does the Commissioner have any plans to deal with that issue?

Mr. Valdis Dombrovskis: Yes, we have been dealing with and continue to deal with this issue. Since the crisis we have seen certain weaknesses in the organisation of the financial systems, so the financial sector integration has reduced and financial sector activities increasingly were taking place along national borders. It is certainly an issue. We are now looking at ways that we can promote such cross-border financial sector activity. Currently only 7% of European citizens use cross-border financial services. We are not talking about large-scale integration. Among other things, we are assessing cross-border loans, namely, what are the obstacles to

cross-border loans. Our analysis shows it is mainly to do with loan enforcement frameworks. If a bank is to provide loans or mortgages with a collateral across a border in another EU member state, there is at least a perception of the financial sector in terms of the banks and their associated costs if there is a need for loan enforcement in case the loan becomes non-performing. We would work with the country, especially if the loans are not very big, to enforce as a collateral. We will bring forward some proposals in this area. We will put forward a proposal on accelerated extrajudicial collateral collection mechanism while providing safeguards to customers towards some kind of aggressive loan collection practices. That could be one mechanism to address this obstacle in terms of cross-border loans. From the point of view of the European Union, we would be willing to see more financial integration, more cross-border financial services and therefore more competition, which eventually would result in lower interest rates for consumers. That is something we are very much willing to support and facilitate. It is part of our work on a retail financial services action plan.

Deputy Michael McGrath: I thank the Commissioner. I suggest to him that it should be a priority because if we are to have a full single market for financial services and at a time when all of the larger banks are being regulated directly by the Single Supervisory Mechanism, which is European-wide, it should be the case that all consumers, certainly those within the eurozone, should be able to avail of products being sold by banks that are regulated by the European-wide regulator. That seems perfectly logical to me. What people will want to know from the Commissioner is when he expects to see practical progress in respect of this issue because Irish consumers are paying way over the odds not just in regard to mortgage rates, which apply to residential customers, but business customers as well, and also in regard to insurance where, again, we do not have access to products that are being sold elsewhere in Europe. When does the Commissioner expect actual progress from which people will be able to benefit?

Mr. Valdis Dombrovskis: In terms of actual progress, we will come forward with a specific proposal to deal with one of the obstacles to cross-border loans in the spring. It will then take a year or so. It is a legislative process so there will have to be discussions with the EU Council, member states and the European Parliament before it is adopted and becomes applicable. It is not the only measure we are assessing in terms of the provision of cross-border financial services. We had been doing that already through the payment services directive as regards payment services. We also see obstacles in areas on cross-border money transfers, for example. We are a single European payment area but it is actually a single eurozone payment area, not an EU payment area, so we propose to extend it to the entire European Union. There are a number of obstacles to cross-border financial services and we will be coming forward with several proposals in the spring.

Deputy Michael McGrath: I have two other questions. One relates to non-performing loans, which the Commissioner addressed in his opening statement. The rate in Ireland is falling but it is still high. The way we would like to see banks reduce their non-performing loans is by reaching agreements with borrowers and restructuring loans but what we find here in practice is that the main banks are reducing their level of non-performing loans by selling loan portfolios to international funds, commonly known here as vulture funds. That is the main method being used here to reduce the level of non-performing loans so while it might improve the balance sheet of the financial institution concerned, it can create other knock-on problems and consequences, particularly for the borrower whose loan may now be owned by a fund that takes a much more aggressive stance by way of foreclosure, enforcement and so on. It is the Commissioner's objective to reduce non-performing loans but does he have any view on how that should be done?

Mr. Valdis Dombrovskis: As regards non-performing loans, it is also related to the Deputy's previous question. If banks held a high share of non-performing loans, it means they are suffering losses on those non-performing loans and that cost is passed to the customers. That results in, among other things, higher interest rates, which banks are charging Irish customers, and we see the same tendency in other countries with a high non-performing loans ratio. Ireland is not among the countries with the very highest level of non-performing loans. The three countries with the highest levels are Greece, Cyprus and Portugal, but in any case this is an issue.

I mentioned in my introductory remarks our non-performing loans action plan on which we are working for direction. The first is the prudential regulations as regards buffers. Banks need to build for non-performing loans and we will be coming forward with a proposal for new loans which may become non-performing.

The second is insolvency and loan enforcement frameworks where we are doing some benchmarking. We do not believe it is realistic to achieve a harmonisation in that regard because systems are very different and countries are very reluctant to change them. We are doing the benchmarking, therefore, which we can then address through the European semester to see what is working in insolvency systems, what is not working, what are the best practices and then, through country-specific recommendations, show the countries possibilities to address this problem.

The third is the secondary markets of non-performing loans. One problem is loan enforcement practices, which the Deputy mentioned. There have to be strong consumer safeguards in that regard and also consumer protection organisations which fight against aggressive practices. That is clearly not acceptable. From the point of view of financial stability, in terms of a spread between bid and ask prices, we see there is an information asymmetry that needs to be addressed if we want this market to be functional.

Fourth, I already mentioned the blueprint for national asset management companies. Ireland already has a national asset management company, which is working. Recently, the European Commission also found that the way it was set up is in line also with EU state aid rules. There had been some complaints so the European Commission had been assessing that and found it to be in compliance.

Those are the four work directions of non-performing loans. We will come forward with complete proposals on the European side on non-performing loans in the spring.

Deputy Michael McGrath: Regarding Brexit, I want to acknowledge the support of the European Commission for the Irish position and the support of the other European institutions. We hope that continues right through to the end but is it the objective of the European Union to ultimately negotiate a free trade agreement with the United Kingdom? We are now moving into a new phase and there is talk of the transition period and so on. Having a free trade agreement will come with certain obligations on the UK but is that the position of the European Union? Is the objective to negotiate a free trade agreement that is tantamount to what we currently have within the Single Market?

Mr. Valdis Dombrovskis: I can confirm the position we have on Brexit where we also take the Irish interest strongly into consideration, including the question of the Border between the Republic of Ireland and Northern Ireland, which needs to be addressed. That is very much on the EU's agenda. As I said, the EU will continue to support Ireland in the context of Brexit because we recognise that of the EU 27, Ireland is the country most affected by Brexit. In the

Brexit negotiations, we are currently concentrating on the transitional period. We are now doing preparatory work on a mandate from the member states on future relations and to start the negotiations on future relations with the UK. The free trade agreement will be one of the main elements in future relations. Those future relations will probably not be tantamount to the EU Single Market. There are certain conditions for access to the EU Single Market, which the UK has decided it is not willing to respect. We talk about respect for freedoms, including the free movement of labour, a financial contribution to the EU budget and the jurisdiction of the European Court of Justice. There are certain choices the UK has to make because the Internal Market does not come for free. There are certain conditions that countries that are members of the Internal Market must respect.

Deputy Paul Murphy: I welcome the Commissioner and his team. I want to explore the area of the European semester and economic governance. I will explain where I am coming from. I was in the European Parliament from 2011 to 2014 when some of these measures were introduced, including the six pack, the two pack, austerity, and the fiscal treaty. What we saw was an example of the shock doctrine of using a crisis of capitalism to enshrine some of the neoliberal laws in European law and to reduce democracy at a European and national level. That is the effect of those laws. What democratic legitimacy does the Commission have to be engaged in instructing, directing or recommending governments to implement certain budgetary decisions? In the Commission's engagement with Italy, it stressed that the adoption of the 2018 budget with no watering down of its key provisions would be crucial. It underlined the importance of sticking to the important structural reforms, notably as regards pensions. What democratic legitimacy does the Commission have to be demanding so-called structural reforms from democratically elected governments?

Mr. Valdis Dombrovskis: First I will address the broader question of EU economic policy, including the Stability and Growth Pact, and then I will come to the question on democratic legitimacy. Something that a number of countries have experienced during the crisis, including Latvia, which is the country I know best, Ireland and a number of other countries, is that if they want to pursue contracyclical fiscal policies during the crisis, and that is what has been discussed, they also need to pursue contracyclical policy during the good times, meaning they have the fiscal space or room for manoeuvre in case of economic shocks. Unfortunately, for those countries that had not been doing so before the crisis, there was no fiscal space or room for manoeuvre during the crisis and countries were being shut out of the financial markets. The other question is how a country can finance its debt and deficit. What are the sources of finance? That is where the question of restoring financial stability and the EU rules on restoring financial stability came in.

Regarding the democratic legitimacy of the European Commission and the decision-making, first it must be said that the European Commission has rights and obligations that EU member states with their democratically elected parliaments and appointed governments have delegated to it. It is enshrined in the EU treaty which has been ratified by all EU member states and where the role of the European Commission as a guardian of the treaty is also foreseen. At the same time, it must be said that any decisions that are taken at EU level are Council decisions. When we come up with draft decisions as a European Commission, whether on the fiscal or structural reform side, they are draft decisions and those draft decisions have to be approved by the Council. It concerns fiscal decisions, any other decisions and any legislative proposals. They are called legislative proposals because the Commission comes up with a proposal. It is for co-legislators, the European Council and the European Parliament, to make the binding decisions.

On structural reforms, it is also important not to mix certain elements. Italy is in a preventive arm of the Stability and Growth Pact, as is Ireland. We address country-specific recommendations on structural reforms to member states, but first, as the name suggests, they are recommendations. Second, those proposals, in any case, are endorsed by the Council. That is how the structure works and that is where democratic legitimacy comes from. Its functions are delegated to the Commission by EU member states with their democratic decision-making process.

Deputy Paul Murphy: I will respond to two points. Mr. Dombrovskis said the rationale for the fiscal rules was the idea that the crisis resulted from irresponsible public spending and rising debt, etc. That is not the reality across the world or, in general, across the European Union. It certainly was not the reality in Ireland. In Ireland, pre-crisis, we had a debt-to-GDP ratio of 25%, which was as low as Germany's. The reason it exploded was because of a private sector banking collapse that was then taken onto the shoulders of the public. None of the fiscal rules that existed, if they had existed pre-crisis, would have made a difference to the crisis. The idea that it is a response to the crisis does not hold water.

In defending the democratic legitimacy of the process, Mr. Dombrovskis put significant weight on the fact that the Commission proposes and goes to the European Council and that the governments are at the European Council. What he did not say is that the voting process at the European Council is turned on its head. Instead of needing a majority or a qualified majority to pass the Commission proposal, is it not the case that when it comes to economic governance proposals, a reverse qualified majority is required? In other words, to reject something, there has to be a substantial majority of member states. How is it democratic to reverse either a simple majority process or, even worse, to have a reverse qualified majority process? How can it be claimed that there is endorsement by the Council for proposals when that process has been reversed in that way?

Mr. Valdis Dombrovskis: On the first question, the fiscal rules existed in Europe before the crisis. The Stability and Growth pact set a 3% limit on government deficit and a 60% limit on debt. It all existed before the crisis. What was done after the crisis is that, first, a European semester was introduced as an annual cycle of fiscal and economic policy co-ordination, so it was recognised that a more systematic overview of the member states' fiscal and macroeconomic policies is needed. A macroeconomic imbalances procedure was introduced because it was recognised that countries not only face fiscal problems, but also macroeconomic problems and there was more emphasis on prevention such as the preventative arm of the Stability and Growth Pact, the setting of medium-term budgetary objectives and aiming for a balanced budget in the economic cycle. Those were the things that were introduced.

As regards Ireland, we are fully aware that many of the Irish fiscal problems stem from the collapse of the banking system and an unprecedented scale of bailouts which Ireland undertook. Nevertheless, that did not remove the question that if those decisions were taken, what are the sources of financing of the debt and deficit. This question, nevertheless, was still there and those bailouts, which we saw in a number of countries, were the reason for introducing the banking union. As members know, the basic principle of the banking union right now is not for a bailout but a bail-in, meaning that first the shareholders and creditors of a bank take the losses and the taxpayer is not first in line to pay for the mistakes of the banking sector. It was also a lesson learned from the crisis and that is an underlying principle of the banking union and underlying reason for strengthening bank supervision and also a regulatory framework for introducing a single rulebook and a single supervisory mechanism.

On decision-making processes, once again, all the decision-making processes as they are enshrined in a treaty or EU legislation are decision-making processes decided by EU member states and on different procedures it can vary from unanimity to qualified majority, to simple majority, to reverse qualified majority but once again those are decisions taken by member states in line with democratic procedures

Deputy Paul Murphy: If people vote for a dictatorship, it does not mean that it is not a dictatorship. Does Mr. Dombrovskis know what I mean? One can have something that emerges from a formerly democratic procedure that is undemocratic. Could I ask one more question?

Chairman: I am conscious of the time.

Deputy Paul Murphy: Sure. I will come back at the end.

Chairman: I am sorry about that. I call Senator Conway-Walsh.

Senator Rose Conway-Walsh: I thank the Vice-President for being with us this morning. I appreciate that he has limited time. It might seem to some now that the EU has moved on from the Irish question given the recent agreement of sorts. It is my belief that the EU could still play a crucial role in protecting Ireland, both North and South, in a very direct way from the damage of Brexit, first, by ensuring that the EU energy and infrastructure programmes look at the needs of the island of Ireland as a whole. Has the Government requested a review of the TEN-T and TEN-E projects in transport and energy so that the new reality of Ireland's geographical position relative to the EU is taken into account? Are we being considered? We do not want to be left behind. We want to be front and centre of decisions that are being made in Europe in relation to our vulnerability to Brexit.

Mr. Valdis Dombrovskis: On this issue perhaps Senator Conway-Walsh will also ask the representatives of the Commission here in Dublin to comment in more detail. As regards TEN projects, it is worth noting that the European Commission has a certain distribution of responsibilities and TEN-T and TEN-E projects are the responsibility of the transport and energy Commissioners so I am not working directly on those areas and I cannot give a qualified comment on it. It is worth noting that we are now also preparing negotiations for the next multi-annual financial framework which will set the EU budget for the next period, post 2020, and that is a good moment also to address issues and new challenges. There are a number of challenges which stem directly from Brexit, also in the case of Ireland in terms of infrastructure. Perhaps Mr. Kiely could add more specific information and explain about projects in Ireland.

Mr. Gerry Kiely: Not really. It has been raised in discussions with Commissioners but I am not sure any formal request has been submitted. As the Vice-President said, given where we are in the TEN programme we have gone past the review stage so it would be in the context of the post 2020 period. I am not aware that any formal request has been submitted but I can check and come back to Senator Conway-Walsh.

Senator Rose Conway-Walsh: Could I suggest that a formal request would be made, perhaps by this committee, because otherwise we will miss opportunities? There is no point in trying to close the door after the horse has bolted. The witnesses will be very aware of the infrastructure deficits, the regional imbalance and inequality that was reported even last week in the ESRI report. There is an urgent need for infrastructure. Adding Brexit into that context makes it a very worrying time for all of us, but especially for people like me who live in the regions.

Does Mr. Dombrovskis believe that Brexit constitutes exceptional circumstances and that

the EU should now allow for derogation from the rules to allow the Government the adequate scope to invest North and South to protect against the fallout from Brexit but also to put the country into a prime position to thrive thereafter? What specific measures of flexibility from the EU fiscal rules does he think Ireland should seek? It seems that the flexibility in our investment must be a priority. Does he agree with that? What suggestions does he have for us?

Mr. Valdis Dombrovskis: First of all, of course we must see the final agreement of Brexit to assess potential economic consequences, including for Ireland. As I said, the member states are still preparing a mandate for the European Commission to negotiate its future relationship so at this stage we cannot really say what exact implications it will have and what response will be required.

In terms of flexibility within EU fiscal rules, as I mentioned in my introductory remarks, there is a certain flexibility and there is an investment clause allowing countries to temporarily deviate to facilitate EU co-financed investment. There is a structural reform clause to support structural reforms. There is an exceptional circumstances clause which has been used, for example, in the case of natural disasters and also in the context of the migration crisis in 2015. There are different possibilities which are available according to EU fiscal rules. When and which of those tools are used and when and which of those tools are requested is also the competence of the Irish authorities. I discussed that also yesterday with the Minister for Finance, Deputy Donohoe. It is also clear that it is important to find the appropriate timing. When an economy is growing like now by 4% to 5% a year, which is the Commission forecast, and if anything the outcome may be at least as good, if not better, as our autumn forecast then it may not, therefore, be the best moment to trigger all the flexibility clauses. If there is a Brexit that triggers large negative economic consequences then those clauses are there and can be triggered. It provides a certain fiscal buffer in a more forward looking way. When I described our proposals on deepening the economic and monetary union, one of the proposals is a euro area fiscal stabilisation function to protect investment. While it is a new proposal and needs to be discussed by EU member states and by the European Parliament and eventually agreed, if it becomes part of the decisions that are taken in the context of deepening economic and monetary union then, once again, it is possible to use. This fiscal stabilisation function is exactly there to support countries in case of large asymmetric economic shocks.

Senator Rose Conway-Walsh: I will not ask any more questions but I think the headline figures really belie what is happening in Ireland, particularly in the regions. In the areas I come from we have unemployment rates of 20% to 30%, no broadband and very inadequate infrastructure. We very much rely on the EU for support there. As the witness has said, it is up to our own national Government to make those requests and to tell the real story of what is happening here and tell of the real challenges that citizens across the island are facing.

Former EU Commission President Barroso established a task force, the aim of which was to make sure that Ireland was achieving the maximum possible level of EU funding. Is there scope for that here?

Mr. Valdis Dombrovskis: With regard to EU funding the current period of 2014-2020 is decided and we are past the mid-term review. The discussions are starting around the next planning period post 2020. We expect complicated discussions because Brexit will, once again, leave a hole in our EU budget. The UK is one of the largest net contributors to the EU budget. We will need to address this hole in the budget and there are only two ways to do this is; either through more contributions to the EU budget by member states or by developing or strengthening our current own resources system, thereby reducing expenditure. Already we are hearing

very different signals from different member states. Not surprisingly they are coming down more or less along the lines of net payers and net contributors. We will, however, need to balance this. First we will need to address this shortfall from Brexit and we will also need to find fiscal space for new priorities.

Chairman: I invite Senator O'Donnell to speak and again remind members about the time limits.

Senator Kieran O'Donnell: I thank the Chairman and I will be brief. I just have one query on Brexit. Does Commissioner Dombrovskis feel that Brexit will be of benefit to the UK, the European Union or to Ireland? What is his view on the financial impact of Brexit?

Mr. Valdis Dombrovskis: There will, of course, be a negative economic impact. We conducted some assessments immediately after the referendum in the UK. I cannot say with a large degree of certainty, because we still do not know the future relationship model of Brexit. The economic model will depend directly on this but it is very clear that if we are untangling decades of economic and financial sector integration it will have a disruptive effect. We will need to address this disruption. First we need to define our future relationship to see how disruptive it is going to be. We already know that some of the political choices the UK has made on Brexit will mean leaving the EU Single Market, and potentially the customs union. All of these decisions are adding to the negative economic impact. The European Commission is also preparing for different scenarios, including the so-called "cliff edge" scenario. We need to be ready for that although it is certainly not something we would aim for. While we aim to reach agreement and to minimise this disruption, we also need to be realistic about it.

Senator Kieran O'Donnell: In that context, a former Taoiseach, John Bruton, who is probably known to the Commissioner, has recently stated that he feels the transitional period of two years may not be sufficient. Does Commissioner Dombrovskis have a view on that statement? I believe that under Article 50 it is possible to extend the time, if there is unanimity among the European Council members.

Mr. Valdis Dombrovskis: On the transitional period and the exact timing, as the members are aware, the timing that is currently being discussed is linked with the end of the current multi-annual financial framework, which is the end of 2020. On the one hand the UK maintains its access to the Single Market and on the other hand it respects all the conditions such as free movement, payment to the EU budget and recognising the European Court of Justice jurisdiction. Post-2020 we will be in a new multi-annual financial framework. Any transition periods post-2020 would imply a new negotiation on the UK financial contribution to the EU budget. In any case that could be complicated. This is why the current thinking is for the end of 2020.

Senator Kieran O'Donnell: If the UK does not see some common sense on the impact that Brexit will have and if Brexit proceeds, does the Commissioner see the relationship being in the form of the current Norwegian model? Norway currently has a financial model with the EU so could the UK have a similar relationship with the EU?

Mr. Valdis Dombrovskis: No. The UK itself has excluded this option. Norway's model provides Norway with access to the EU Single Market but on exact conditions. Norway respect the four freedoms including the free movement of labour, the European Court of Justice jurisdiction and the contribution to the EU budget directly to EU member states via the Norwegian financial instrument. This provides the Norwegian financial contribution, which is quite substantial. The capitation is significantly higher than that paid by the UK. Those were not

conditions that the UK was willing to accept. This is why there will not be a Norway model or European Economic Area model. This is why the relationship will be less close, with the UK being outside the Single Market.

Senator Paddy Burke: I welcome the vice president and his staff.

Mr. Dombrovskis stated: “But EMU deepening should be seen in a comprehensive way, with a view to both private and public mechanisms, tackling risk-reduction and risk-sharing in parallel, strengthening our tools to *prevent* crisis situations as well as those to deal with a crisis when it *does* happen.” What happens in a crisis? Is there a mechanism to deal with it? Are there breaches? When there are breaches, are there sanctions that can be imposed on countries?

Mr. Valdis Dombrovskis: Breaches of what?

Senator Paddy Burke: Financial breaches. The Commission is the watchdog.

Mr. Valdis Dombrovskis: Fiscal breaches?

Senator Paddy Burke: Yes, fiscal breaches.

Mr. Valdis Dombrovskis: On the point the Senator made on risk reduction and risk sharing, we typically use the mechanism in the context of banking union. The idea is that we need to complete the banking union. There are discussions among member states. Some are putting more emphasis on risk-reduction measures and some are putting more emphasis on risk-sharing measures. To move forward, both need to move in parallel.

If the Senator is interested in banking union, we can go into it more deeply. I will explain the context of the sentence that the Senator quoted. As regards fiscal rules, we have the EU fiscal framework and certain associated enforcement mechanisms. Currently, we do not need to use any sanctions because we see that the fiscal circumstances are improving. Average budget deficit and debt levels are going down in both the EU and the euro area. Countries are correcting their excessive deficits. In the spring, we will assess France. It corrected its excessive deficit in 2017, as foreseen. Given that this is the case, we will have only one country left that is subject to an excessive deficit procedure, that being Spain. It will need to correct its excessive deficit this year.

As regards the preventive arm, we see that countries are moving towards their medium-term budgetary objectives. Some are at risk of deviation so we are working more in respect of those countries. There is one country against which we have launched a so-called significant deviation procedure, namely, Romania. It is the second fastest-growing European country, yet balances, in terms of budget deficit, around 3% of GDP and risks ending up being in excessive deficit. We forecast that Ireland will meet its medium-term budgetary objectives this year. We see that things are on track.

Senator Paddy Burke: There are no sanctions against countries that do not reach their targets. Is the Commission a kind of toothless tiger?

Mr. Valdis Dombrovskis: There are sanctions foreseen in the Stability and Growth Pact that can be applied. We are currently not applying sanctions because we see that fiscal imbalances are being corrected.

Senator Paddy Burke: We see that Brussels is probably the second largest lobbying city in the world. Mr. Dombrovskis is saying pressure is being put on banks to sell off non-performing

loans. When pressure is put on the banks to sell off those loans, he will note most groups that buy them are vulture funds. This committee has tried to get vulture funds to come here to talk to us but they will not do so. Has Mr. Dombrovskis been lobbied on the question of why the non-performing loans should be sold off? Has he any mechanism for governments to buy the non-performing loans? Governments can borrow money at 0%, 1% or other very low interest rates. There is no reason governments could not buy non-performing loans. Why is Mr. Dombrovskis not saying the governments should buy them? Why is it that the vulture funds buy the non-performing loans in most cases? We can see at first hand what vulture funds are doing with the non-performing loans and to the borrowers. Has the Commission come up with any proposals on how governments could buy these loans? If so, we have not heard them.

Mr. Valdis Dombrovskis: First, there is a non-performing loans action plan, which was requested by member states. We are currently implementing it. I was speaking at length on this to others this morning. I will be responding to other members' questions so I probably will not be able to elaborate in detail on the action plan. I will just outline, therefore, what we are recommending specifically to Ireland. We have a recommendation for Ireland specifically on non-performing loans: "Encourage a more durable reduction in non-performing loans through resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears." Our recommendation to Ireland is a resolution strategy that involves write-offs. To be clear, that is what we are recommending specifically to Ireland.

Senator Paddy Burke: Write-offs.

Mr. Valdis Dombrovskis: It is recommendation No. 3.

Senator Gerry Horkan: Mr. Dombrovskis acknowledged in his opening statement that debt-GDP ratios sometimes improve not so much because debt is falling, but because GDP is rising. This is particularly the case in Ireland, where GDP made huge jumps. I made this point to the Minister for Public Expenditure and Reform when he was here last year. He agreed with me.

With regard to our debt, the previous Minister for Finance, Deputy Michael Noonan, pointed out to us on his last day in the Seanad that Ireland has the second highest level of debt per head of population in the world, after Japan. Some 40% of our corporation tax receipts are from ten companies, and approximately 80% of our corporation tax is related to American foreign direct investment. What point does Mr. Dombrovskis have to make to us on the vulnerability of the Irish economy even if a quite small number of factors change? The debt is significant. Corporation tax receipts are vital if we are to manage to reduce our debt. We are very vulnerable, particularly in the context of proposals in terms of the taxation of the digital economy. Mr. Dombrovskis is looking at us from above. What points has he to make to us that he has not already covered in his statement?

Mr. Valdis Dombrovskis: With respect to the debt-GDP ratio, as I said in my introductory remarks, the debt-GDP statistics have to be taken with a pinch of salt, especially in the case of Ireland. I would not reach the far-reaching conclusions the Senator outlined on public debt *per capita* because we see that countries in the EU that have substantially higher debt-GDP ratios, including debt-GDP ratios that existed prior to Irish GDP recalculation----

Senator Gerry Horkan: If Mr. Dombrovskis-----

Chairman: The Senator should allow Mr. Dombrovskis to conclude.

Mr. Valdis Dombrovskis: If one considers the debt-GDP ratios in Greece, Portugal and Italy, one notes they were substantially higher than before the Irish GDP adjustment.

With regard to public and private debt, of course levels of debt are high in Ireland. We also see the process of deleveraging. That is why we are also emphasising the need to continue to reduce the general government debt ratio. It is in our country-specific recommendations. The emphasis is still there.

On the question on the taxation of the digital economy, we have already touched on this. It is still work in progress. The European Commission is currently ascertaining the best way to address the taxation of the digital economy. We have had discussions on this with the Irish Government. It is also recognised that we need to adjust digital taxation because our tax system is basically outdated. This area has been developed for an economy that is tangible and that includes tangible assets and goods. It is not adapted for the increasing share of digital economy. We can only predict that this share will continue to increase.

We expect digital economy companies to pay their fair share of taxes. We want to reflect the principle that taxes should be paid where real economic activity is taking place. If companies are making profit in Europe but not paying taxes in Europe, it is a problem and we believe that needs to be addressed. Of course member states will need to have discussions to find the right balance. As committee members are aware, in the area of taxation the unanimity principle applies and all member states need to agree. We are ready to have those discussions. Ideally, this would move forward at international level in the context of the OECD framework and the fight against base erosion and profit-shifting. If we see that this international war is not advancing sufficiently, then Europe should be ready to act and move forward.

Chairman: Thank you. In the short time that is left I wish to refer to your opening remarks, Mr. Dombrovskis. You have stated that Ireland's recovery has been fast-paced and broad-based. It has been fast-paced but there remains significant disadvantage in the country, especially in the regions, as outlined by Senator Conway-Walsh. A significant number of the people we represent have not enjoyed any lift in their quality of life. Much work remains to be done. I would not like that statement to go without comment.

You said in your opening statement, Mr. Dombrovskis, that the performance of the banking sector has returned to normal. It is far from normal. Small businesses cannot get banking loans. I presume you are aware of the tracker mortgage issue in this country. Significant numbers of people have not been paid or put back on the correct rates. Banking is far from normal. In fact, if something is not done in banking we will get back to a situation where the banks will act as recklessly as before.

You referred to the broad tax base. Our corporate tax continues to be talked about in Europe. It is central to our economic well-being and development. We would not like to see interference from Europe that would in any way damage our prospects of being able to secure further outside investment in the country.

You referred to banking union, Mr. Dombrovskis. This committee has written several times to Mario Draghi in respect of his appearance. I have written to him on a personal level in respect of the tracker mortgage issue. His response has been quite pathetic in terms of understanding the issues we face and our efforts to deal with them.

Reference was made to non-performing loans. You said that the resilience of the Irish banking sector has improved significantly. It has not. It is living on taxpayers' money. A vast amount of money was paid in by the Government to keep the banks afloat at a time when Europe did not do many favours for this country by insisting that we could not burn the bondholders. That is what has us in this situation that we are not in. The Commission is pushing for non-performing loans to be dealt with. However, it has to understand that, up to recently anyway, the banks completely ignored country-specific recommendation No. 3, which you cited earlier, Mr. Dombrovskis. You referred to write-offs for viable businesses and households with a special emphasis on resolving long-term arrears. The banks have persecuted small businesses and individuals. We have significant levels of deaths by suicide, family disruption and trauma, all from the fact that the banks refuse to deal with the issues before them in a way that shows some degree of compassion and humanity.

It is my opinion that Europe stands idly by and watches as our citizens are punished for something they did not inflict upon themselves. I am simply giving you my views.

Mr. Valdis Dombrovskis: I will comment first on a procedural point. When discussing economic, financial and fiscal issues with a parliament, typically I like to have an open exchange of views. You referred, Chairman, to some written remarks and not to the speech that I delivered. In a sense I have not read out that statement. This point was made clear to colleagues at the beginning of this meeting. That is exactly the problem but let us clarify this point. I stand by the statement, by the way - that is not a problem. There was strong insistence from colleagues that they wanted a written statement from me. However, I am saying that I prefer not to deliver a written statement in meetings such as this. I prefer to have more open discussions. It would probably be better to refer to what I was actually saying in the meeting and to check against delivery. It is not that I am willing to deny anything that I have written. It is simply a procedural point.

I will come back on the substance of some of the points raised. You referred to the broad-based recovery, Chairman. You may agree or you may not agree, but the assessment of the Commission is that the Irish economy has made a remarkable turnaround. We see it in the fast economic growth and decreasing unemployment. We see it in the rapid development in many sectors of the economy. We are not saying that everything is solved.

Let us consider the EU economic policy priorities - they are equally valid in Ireland. We are saying now that we have economic recovery. At the same time, we must work to make growth inclusive, address income inequality and restart the process of convergence both within and among EU member states. That is our focus. Our economic policy priorities indicate that is exactly what we need to focus on now.

The next set of country-specific recommendations is in development. I am talking more generally rather than prejudging specifically the country-specific recommendations for Ireland. They will help to focus on the reduction of income equality and on the implementation of the European Pillar of Social Rights, recently agreed by member states. They will help to put more emphasis on addressing the special social problems that you have raised, Chairman.

You referred to the banking sector, Chairman. We see once again that the level of non-performing loans in the Irish banking sector has reduced rather substantially. Actually, it has been one of the fastest reductions. Of course we are aware that this entire issue is sensitive and we need to tackle it with strong consumer safeguards. It is a matter for national supervisors and national consumer protection institutions to prevent aggressive loan-collection strategies,

something also emphasised during this meeting.

You raised the question of the European Central Bank and comments by Mario Draghi, Chairman. I cannot comment, because we must respect the independence of the ECB. The European Commission does not comment on the decisions of the European Central Bank - it is an independent institution that responds for itself.

Chairman: I thank the vice president for coming today. On the basis of today's questions, he may take it that a longer exchange might be necessary on his next visit. I thank him and his colleagues for being present.

Sitting suspended at 10.20 a.m. and resumed at 10.40 a.m.

Tracker Mortgages: Ulster Bank

Chairman: We are dealing with item 5, progress on the resolution of the tracker mortgage redress issue. We are joined from Ulster Bank by Mr. Paul Stanley, chief financial officer; and Ms Elizabeth Arnett, head of corporate affairs. I welcome them and their colleagues who accompany them. I advise the witnesses that by virtue of section 17(2)(l) 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 committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons 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 Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Stanley to make his opening statement.

Mr. Paul Stanley: I thank the Chairman and the committee for the opportunity to discuss the tracker mortgage issue and Ulster Bank's progress in putting this right for our customers. I am the chief financial officer of Ulster Bank Ireland DAC and I am joined today by Ms Elizabeth Arnett, head of corporate affairs.

As the committee is aware, we are in a close period and therefore we cannot discuss issues which may trigger discussion of financially sensitive information regarding provisions or disclosures. There may be some questions that stray into this territory. I will be happy to take those questions away if I cannot answer them and come back to the committee where I can. We are here to discuss the progress made regarding resolution of the tracker mortgage redress issue. I will give an overview of this and then we will be very happy to take questions, which I am sure committee members have.

As committee members know, our examination is ongoing and we have, as part of our phase 2, identified just under 3,500 customers who are impacted. The impact on these customers and the length of time it is taking to pay redress and compensation is unacceptable and, rightfully, we are being challenged on this. I repeat the apology that Ulster Bank has made to our custom-

ers in this regard.

When the Central Bank tracker mortgage examination letter arrived in our bank we took a number of months to consider how to respond, but by March 2016 we had begun the process of establishing our programme. In hindsight what we should have done was mobilise somewhat earlier and have deliberations concurrently. By doing it the other way we probably added three months to our programme that potentially could have been avoided.

The work involved in identifying impacted customers is one of the largest and most complicated projects ever undertaken by the bank. We have more than 200 people working full time on the programme. I know this is no consolation to people who have been waiting too long for the redress and compensation to which they are entitled, but let me try to explain the challenge of the process in more detail.

Ulster Bank started with 300,000 customers in the scope of the examination. They were customers who were active, redeemed or sold between 2001 and 2015. Customer journeys were segmented into different categories, which required different levels of review. By way of example, these customers include those who drew down on a tracker rate and did not move to any other product or margin at any time. There are approximately 64,000 of these and we could discount them from the process quickly. Of the 300,000 mortgages, we carried out an in-depth review of over 7,000 to determine whether or not they were impacted. As I am sure the committee appreciates, this involved a lengthy process of rebuilding customer files, locating original hard copies of documentation and putting together a full journey of what those customers went through. This process was made difficult in Ulster Bank because we were dealing with five mortgage systems across two banks extending for a period of over a decade and a half. There was a high degree of variety in these accounts. We found over 1,600 different journeys, with some customers having up to 20 different points in that journey. By way of example, a journey includes mortgage drawdown, product switches, any rate changes, any forbearance or special arrangements and mortgage redemption. This process identified just under 3,500 impacted customers and is set out in the phase 2 report we submitted to the Central Bank. As of quarter three of 2017, we made a provision of €211 million for this project, which includes administration costs and compensation and remediation to customers.

In designing the examination, the Central Bank framework requires that we look retrospectively at our loan book and apply a contractual, regulatory and, very importantly, customer lens to determine whether there is an impact. The vast majority of the 3,500 customers were impacted due to ambiguous and potentially confusing terminology in our documentation, and as a result, these customers did not get the correct rate. I do not wish to appear to minimise the nature of the impact, but rather to give the committee an understanding of what we have found as a result of our work to date on the examination.

The ambiguity in the documentation we produced presented circumstances whereby our subsequent actions certainly disadvantaged our customers. The requirement to be clear in all communications with customers is the minimum standard to which we must, and do, hold ourselves. In this regard, we did not meet the standards and we failed our customers. We deeply regret this and apologise unreservedly to all impacted customers. We are putting this right, accepting the pace is frustratingly slow for our customers and for ourselves.

In total, the transparency and ambiguity issue to which I have referred affected approximately 88% of the 3,500 customers. The other 12% were primarily due to operational errors and the absence of required warnings. Approximately 2,500 of impacted customers are still

with Ulster Bank and we have returned them to their correct rate. We stopped the harm as quickly as we could. As the committee is aware, this happened on a phased basis, mostly during the first quarter of 2017 and the back end of 2016. For customers who are no longer with Ulster Bank, we are working through their remediation, with a commitment to complete this and our commitment on the overall 3,500, by the end of the second quarter of 2018.

For customers who lost their homes as a result of the tracker mortgage issue, we have a special process in place on top of the standard remediation. For example, where we identify customers who have lost their homes as a result of the loss of a tracker rate, we communicate with them, appoint a single point of contact for them, arrange a meeting and offer an upfront initial payment of €50,000 in advance of completing the full redress and compensation process. We commenced the process of paying redress and compensation in September and to date we have paid more than 1,200 customers.

There are a number of key principles for us in this phase of the examination. It is very important for us that we put each customer back to the position he or she would have been in had the error not occurred. This involves reconstruction of each customer account using the correct interest rate; quantification of the amount of interest overcharged at the incorrect rate, and reversal of that overcharge; calculation of the monthly repayments that should have been paid by the customer and a refund of the difference between that total and what was paid by the customer; and restoration of the mortgage balance to what should now be outstanding, following reversal of the interest overcharge and refund of repayments.

The letters we write to customers are designed to complete a picture for them. In some cases these can contain up to 30 pages but they also include a summary. They contain a full financial statement going back to the month when the impact happened and provide a month by month statement for the years the impact happened. Customer accounts, in calculating redress amounts require manual intervention and calculations. At present, this cannot be systemised because of the multiple variations that exist in each customer journey. This necessitates additional quality control and assurance checks. In calculating redress and compensation for even straightforward cases, there are up to 120 separate data points that can move each time there is an additional payment on the account. This means the calculation is very time sensitive. For live Ulster Bank customers, a short period opens up each month when all of the data is collected and reviewed, the calculations are made, the calculations are checked, the letter is compiled and checked and then issued before the next payment is made on the account and the data points have changed. This has been a slow and challenging process, and I would not even begin to express how difficult this has been for customers. We are focused on paying what is due to all impacted customers as quickly as possible. There is no advantage for us if we drag our feet on making this right and there is certainly no advantage for our customers.

We have more than just a regulatory or contractual obligation to our customers. We believe we have a moral obligation to be fair and to put things right as quickly as possible when it goes wrong. We also accept and acknowledge the focus of this committee, the Minister for Finance and the Central Bank in this matter and holding us all to account. Ulster Bank has certainly learned lessons from this and, while we are still in the process of finalising our programme, we are applying these lessons across the bank. Throughout this process, our people on the front line - helping customers and dealing with queries - have worked tirelessly, and that is despite how the public may feel about those of us at senior level. I would like to draw that distinction.

To close, I emphasise again that we are working to finalise our numbers. We will continue to engage with the Central Bank as regards a phase 2. While we expect some additional cus-

tomers to be impacted upon, we do not expect the issues to be on the same scale. Despite this, we have failed. This has not only impacted on our tracker customers but society's trust in banks and, indeed, our credibility as an industry. We will continue to work hard to complete this programme, learn from it and rebuild trust in our bank. We are serious about our commitments to our customers and we are listening and learning from the experience of this programme. I thank the Chair and look forward to questions.

Deputy Michael McGrath: I thank the Chair. I welcome Mr. Stanley and Ms Arnett. Can I ask where is Mr. Mallon, the chief executive officer?

Mr. Paul Stanley: Mr. Mallon has received another job offer. There is a precedent of an outgoing chief executive officer, such as Mr. Mallon, not attending the committee. Myself, as sponsor of the tracker mortgage examination programme, and Ms Arnett are here to answer questions.

Deputy Michael McGrath: However, Mr. Mallon is actually working? He is not on gardening leave?

Mr. Paul Stanley: No, he is not.

Deputy Michael McGrath: My understanding of the precedent referred to was that the outgoing chief executive officer was not at work at that time. I will have to check that. I put it to the witness that he should be here. He is still the chief executive officer. He is the person who is accountable. We might look into that precedent issue.

Turning to the matters at hand, the tracker examinations, in the questionnaire, Ulster Bank says that in the region of 15 private dwelling homes, PDHs, may have been lost as a result of this issue. A phone is on. It is not mine. Mr. Stanley has said up to 15 homes have been lost as a result of being denied tracker mortgages by Ulster Bank. Will Mr. Stanley bring us up to date on those cases?

Mr. Paul Stanley: All of those customers have been engaged with. We sent out cheques to a number of those customers as well. All of those customers are in engagement and we have an individual relationship manager dealing with each of them.

Deputy Michael McGrath: They all have been contacted and there is engagement with all of them. Why does Mr. Stanley say "in the region of 15"? The wording is loose.

Mr. Paul Stanley: I say that because these are PDH customers. We are continuing to work through our buy-to-let book to look at loss of ownership. There is the potential that a designation on an account that was originally buy-to-let may have become a PDH over the period to date, which would mean that it would fall into the PDH category. That is the reason we say 15.

Deputy Michael McGrath: Has Ulster Bank identified any buy-to-lets thus far where people lost their homes?

Mr. Paul Stanley: We have identified one so far.

Deputy Michael McGrath: There are 15 PDHs and one buy-to-let.

Mr. Paul Stanley: Yes, one buy-to-let.

Deputy Michael McGrath: That is the current picture. I do not think any of us can be-

gin to understand the trauma involved for people in losing their homes. How can that be put right? What is the bank's objective? What is it doing for those people, apart from giving them cheques for €50,000?

Mr. Paul Stanley: To be clear, having recognised the loss of ownership issue, the €50,000 is an initial payment. Aside from that, we will do all of the standard remediation. We will look at how much they paid in overpayments, how much interest was overpaid, and the loss of value in the property value as well from when they lost the property compared to what it would be worth today. We will be doing our utmost to get them into other homes.

Deputy Michael McGrath: Does Ulster Bank still own some of those properties?

Mr. Paul Stanley: We have one property in possession.

Deputy Michael McGrath: Were the other 15 court repossessions, voluntary sales or voluntary surrenders? How did they come back into the possession of Ulster Bank?

Mr. Paul Stanley: The bulk of them were voluntary sales or voluntary surrenders. There were six voluntary sales or surrenders and seven redeemed. There was one repossession and sale and one repossession where we actually hold the property.

Deputy Michael McGrath: The word "voluntary" is a complete misnomer in this context. If somebody voluntarily sells his or her home or voluntarily surrenders his or her home, it is with a gun to his or her head. It is to avoid going to court.

Mr. Paul Stanley: There would have been proceedings in train, yes.

Deputy Michael McGrath: Yes. Is the objective that these individuals and families will get another home?

Mr. Paul Stanley: We will certainly be doing our utmost to either take them back on as mortgage customers or, if they want to take other options, to provide them with sufficient recompense to allow them do so.

Deputy Michael McGrath: Will the one property the bank has be given back?

Mr. Paul Stanley: It is open to give it back. It is a customer decision and that is a discussion we are having.

Deputy Michael McGrath: On Ulster Bank's overall numbers, 3,500 customers have been identified as being impacted upon. Of those, 2,500 are still customers of the bank with active mortgage accounts. Redress and compensation have been paid to 1,200. Is that correct?

Mr. Paul Stanley: Yes, to approximately 1,200 to date.

Deputy Michael McGrath: I imagine that is 1,200 of the 2,500. It is 1,200 of the bank's existing customers?

Mr. Paul Stanley: No, some of those are customers who have redeemed their mortgages.

Deputy Michael McGrath: When will everyone be fully repaid?

Mr. Paul Stanley: Of the 3,500, our objective is to have everybody repaid by the end of quarter two of 2018.

Deputy Michael McGrath: The end of June?

Mr. Paul Stanley: The end of June.

Deputy Michael McGrath: Will that be achieved?

Mr. Paul Stanley: As of today, we are on track to achieve that and we intend to achieve it.

Deputy Michael McGrath: Thus far, statements that have been made and pledges that have been given have not been honoured. Going back over the timeline of what was said here and what was said publicly, I think Ulster Bank is further behind in this process than any other main lender.

Mr. Paul Stanley: I accept that we are further behind and I have tried to outline some of the complexities we face. We did need to meet our 1,000 commitment for the end of December. That was one of the targets we agreed with the Minister of Finance and the Central Bank. We are on track to achieve 2,500 for the end of this quarter and 3,500 is our objective for the end of June.

Deputy Michael McGrath: The aim then is 3,500 by the end of June. I received more emails and correspondence from Ulster Bank customers in the past week or so than I have from customers of other banks. I am sure other committee members are the same. They are all telling us their own stories. They are very frustrated; they are getting the *pro forma* standard letter rolled off the computer every 60 days. It is telling them nothing. When they ring the helpline, they are not getting any additional information. They are very frustrated.

Mr. Paul Stanley: I accept that frustration. I have listened to a number of those calls as well coming into the helpline and I understand where those frustrations are at. However, we are working as hard as we can to meet the objectives in terms of numbers to close these 3,500 by the end of quarter two 2018.

Deputy Michael McGrath: I do not detect any confidence that Ulster Bank have gotten to the bottom of this and that 3,500 is the final number. I do not get that sense.

Mr. Paul Stanley: Our phase 2 report is with the Central Bank. There have been a number of queries back from the Central Bank in terms of that report. I would expect that we will know in the next few weeks what the final number is, particularly in view of the proactive engagement we have with the Central Bank in terms of those outstanding issues. We do not expect it to be anything like the 3,000.

Deputy Michael McGrath: Are there cohorts or groups of customers not currently included in respect of which the bank is in some dispute or engagement with the Central Bank?

Mr. Paul Stanley: I would not say dispute; I would say we are in engagement.

Deputy Michael McGrath: The Central Bank may have a different view or different interpretation.

Mr. Paul Stanley: It has asked for additional evidence on some matters, which we have provided, and policy review on other matters, which we have done.

Deputy Michael McGrath: It sounds like there are potentially other groups that Ulster Bank may conclude should be included.

Mr. Paul Stanley: Potentially, yes. I expect closure on that discussion with the Central Bank over the next few weeks.

Deputy Michael McGrath: In what state are Ulster Bank's information technology systems? From reading Mr. Stanley's submission and looking at the history, I know the bank has had some unfortunate information technology glitches in recent years. It seems the bank's systems are in a bit of a mess.

Mr. Paul Stanley: I should have been clearer on that. The five mortgage systems I referred to are legacy systems that existed over the period. We are down to two mortgage systems as of last year. That is a legacy problem but it does impact on pulling data out from the 2001 period. With two systems, we have far more robust and central information technology.

Deputy Michael McGrath: As of now, systems are not the problem or the reason the process is taking so long.

Mr. Paul Stanley: No. The principal challenge is the legacy number of systems we have to reopen to obtain information related to 2001.

Deputy Michael McGrath: That was an issue but it is being dealt with now.

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Have the 1,000 customers who no longer are with Ulster Bank been contacted?

Mr. Paul Stanley: No. Approximately 500 of them have yet to be contacted. We will shortly be contacting 400 of them but we are experiencing challenges in 100 cases in determining who they are or where they are.

Deputy Michael McGrath: Am I correct that of that 1,000, half of them have not been contacted yet by Ulster Bank?

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Why not?

Mr. Paul Stanley: Our focus has been on dealing with the other cohorts, particularly loss of ownership customers. It is not satisfactory but we will have 400 of those cases closed out shortly and in the remaining 100 cases, we are doing our utmost to identify them.

Deputy Michael McGrath: The impact on them is no less great than on current customers of Ulster Bank.

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Some of them may have switched to another provider and they could be arrears or may have lost their homes.

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: I suspect that this has not been assessed in respect of those customers, given they have not yet been contacted by the bank. As stated by Mr. Stanley, the bank is unable to identify who they are, where they are or what state they are in.

Mr. Paul Stanley: Leaving aside the 100 cases in respect of which we are having challenges, the remainder will be contacted shortly.

Deputy Michael McGrath: In regard to the 100 cases in respect of which the bank is having challenges, is the problem that the bank cannot find contact details?

Mr. Paul Stanley: Yes. We are doing our utmost, using numerous channels, including third parties, to try to contact them. Ultimately, if we cannot contact them we will put whatever compensation or remediation we deem to be relevant to them in escrow for six years. There may be a small number of people who we will be unable to find but we will keep doing our utmost to find them.

Deputy Michael McGrath: Of the 1,000 who are no longer customers of Ulster Bank, how many have received redress and compensation? Mr. Stanley mentioned earlier that the bank has contacted 500 of them.

Mr. Paul Stanley: Yes. That is the number of those who have received redress and compensation. When we contact a customer-----

Deputy Michael McGrath: How many of the 1,000 who no longer are customers have had redress and compensation?

Mr. Paul Stanley: The number of redeemed customers is 360.

Ms Elizabeth Arnett: It is slightly higher than that.

Mr. Paul Stanley: It is 360, or higher.

Deputy Michael McGrath: Approximately 360 of the 1,000 people who are no longer customers of Ulster Bank have had redress and compensation.

Mr. Paul Stanley: Apologies, the correct number is 500. All of the 500 we have identified have received redress.

Deputy Michael McGrath: The remaining 500 need to be a priority for the bank. It is two years since the examination commenced in late 2015, and in the case of Ulster Bank, March 2016. We are now into February 2018 and 500 customers have not yet heard from the bank. That is not good enough.

Mr. Paul Stanley: I accept the point being made. As I said previously, the focus over the very short term will be on contacting the remainder of those customers, excluding the cases in respect of which we are experiencing challenges.

Deputy Michael McGrath: In regard to the customers who switched from Ulster Bank, how does the bank calculate redress for them? Is redress paid only up to the point at which they switched their mortgage?

Mr. Paul Stanley: No, it is paid not only in respect of the time they were with Ulster Bank but the time they have been with the other institution as well.

Deputy Michael McGrath: The differential in the interest rate between what they are currently paying and what should have been paying had they remained with Ulster Bank and retained their tracker mortgage is paid up to the end of the mortgage term.

Mr. Paul Stanley: They have a number of choices. We will do a calculation to the end of the mortgage term if they are not on trackers in the other institution or we will give them the option to come back to Ulster Bank on a tracker, if they wish.

Deputy Michael McGrath: Okay. Where they are returned to a tracker mortgage, are the terms identical to the terms of their original mortgage contract?

Mr. Paul Stanley: Any customer returning to Ulster Bank and wanting to take up a tracker will get a tracker rate that is either what they were on originally or the lowest rate they were on in terms of the tracker journey, from a margin perspective, because trackers moved somewhat over the timeframe involved. That is the basis on which we will bring them back.

Deputy Michael McGrath: Can Mr. Stanley clarify the position in regard to former First Active customers?

Mr. Paul Stanley: In what context?

Deputy Michael McGrath: Am I correct that First Active merged into Ulster Bank in late 2009 and ceased trading in early 2010?

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Are former First Active customers affected and included?

Mr. Paul Stanley: Yes, of course they are.

Deputy Michael McGrath: Does Mr. Stanley know the number of customers involved in this regard?

Mr. Paul Stanley: I do not have a breakdown but I will forward the information to the committee.

Deputy Michael McGrath: So, those customers are being treated in the same way as everybody else.

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Is Mr. Stanley saying that their mortgages have been examined and if they had an entitlement to a tracker, that is now being vindicated?

Mr. Paul Stanley: Yes. We are making no distinction between First Active and Ulster Bank customers.

Deputy Michael McGrath: Does Mr. Stanley's evidence indicate that some were affected?

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: I ask Mr. Stanley to provide the committee with the details of the number of the aforementioned 3,500 customers who were former First Active customers.

Mr. Paul Stanley: Yes.

Deputy Michael McGrath: Are any of those customers among the 16 who have lost their homes?

Mr. Paul Stanley: I need to check that and come back to the committee on it.

Deputy Pearse Doherty: I welcome the witnesses. For the record, it is not acceptable that the chief executive officer of the bank has not appeared before the committee today. I note that the bank provided further information and its opening statement quite late yesterday. If all the other banks were able to provide the information when requested by the committee, Ulster Bank should have been able to do so. I welcome that despite the bank's reservations regarding appearing before the committee at this time, it nevertheless accepted the committee's request.

I wish to raise a number of issues. I acknowledge that we are only dealing with the tracker mortgage issue today and that we will have an opportunity on another day to discuss issues related to the global restructuring group, GRG, and the revelations that are being uncovered in respect of Ulster Bank's parent body in Britain. Hopefully, that will flow into a full investigation into Ulster Bank's activities here.

In regard to where Ulster Bank is at in terms of phase 2, the Central Bank is in dispute with Ulster Bank on the final numbers.

Mr. Paul Stanley: I do not accept that we are in dispute. The Central Bank has asked for additional evidence and it has asked us to review a number of the policy judgments. In regard to all of the issues on which the Central Bank is calling out to Ulster Bank, we were very clear in our phase 2 report about the judgments made in respect of the cohorts concerned. We are not in dispute with the Central Bank.

Deputy Pearse Doherty: The Central Bank is seeking additional evidence related to groups of individuals - cohorts - who may have been impacted. On how many different groupings is the Central Bank seeking additional evidence, documentation or assurances?

Mr. Paul Stanley: There are approximately five areas, rather than cohorts, in respect of which it is seeking additional evidence and four areas it has asked us to review from a policy perspective.

Deputy Pearse Doherty: What is the number of customers that could be deemed impacted as a result of that process?

Mr. Paul Stanley: We look at these issues from a policy perspective. We do not seek to identify any number of customers because that would colour our view. I do not propose to get into the number of customers today.

Deputy Pearse Doherty: It is unbelievable that the bank is not focused on the number of customers impacted.

Mr. Paul Stanley: As I said, I do not propose to go into the numbers here today.

Ms Elizabeth Arnett: By way of clarification, in looking at the policy decision around whether a customer is impacted, we did not look at how many customers might be contained within a group such that whether the number is two or 200,000, we would not know at this point because that is not relevant. Whether a customer is part of a large or a small group should not determine or influence whether we deem that person impacted. That is the methodology we have used in looking at these policy decisions. We look at the principle of the issue first to determine impact and then we look to see what are the numbers associated with that group of customers.

Deputy Pearse Doherty: Has the Central Bank identified to Ulster Bank additional customers, which in its preliminary view are impacted but Ulster Bank has deemed not to be impacted?

Mr. Paul Stanley: Its preliminary view, in asking us to review policy decisions and looking for additional evidence, is that there is that potential. That must be its view.

Deputy Pearse Doherty: Mr. Stanley states he expects additional impacted customers to be declared by the bank. He states he does not expect it to be on the same scale.

Mr. Paul Stanley: Correct.

Deputy Pearse Doherty: Are we safe in assuming we will not see the type of figures that have been mentioned in certain sections of the media, namely, potentially up to 3,000 additional impacted customers?

Mr. Paul Stanley: That is excessive based on our understanding of where we are with the Central Bank.

Deputy Pearse Doherty: If a journalist was to carry a story tomorrow saying that the figure was expected to be 1,000, would that also be excessive?

Mr. Paul Stanley: I said at the start that I will not discuss the figures-----

Deputy Pearse Doherty: But Mr. Stanley is not willing to say that it would be excessive.

Mr. Paul Stanley: And I am not saying the figure is 1,000 either.

Chairman: Why will Mr. Stanley not discuss it?

Mr. Paul Stanley: It is because we are still in discussion with the Central Bank regarding those areas. In fairness to us and the Central Bank, we need to conclude those discussions. As I have said, I expect those to conclude during the next few weeks and we will have no difficulty talking about it then.

Deputy Pearse Doherty: The bank provided its phase 2 report to the Central Bank before the deadline of the end of March 2017.

Mr. Paul Stanley: Correct.

Deputy Pearse Doherty: So when did the Central Bank request additional information?

Mr. Paul Stanley: It was in November 2017.

Deputy Pearse Doherty: When did the bank provide the information?

Mr. Paul Stanley: We provided it in a number of staged drops up to the middle of January.

Deputy Pearse Doherty: And the Central Bank has not come back to Ulster Bank regarding any of those.

Mr. Paul Stanley: It has acknowledged receipt and some of our feedback regarding some of the policy issues. In fairness to the Central Bank, I would not say we have concluded.

Deputy Pearse Doherty: So there is an acknowledgement. If the Central Bank is of the view that there are additional cohorts, which is a horrible term because it really dehumanises all

of this, of people who have been impacted by the bank, is that a decision or opinion that Ulster Bank will accept or is it something the bank may challenge?

Mr. Paul Stanley: There may be elements that we may challenge or accept. We need to finish the dialogue with the Central Bank and let it consider the evidence we have given it because there were some shortages in evidence around a number of those issues. We will then conclude. We do not want to end up in dispute with the Central Bank.

Deputy Pearse Doherty: Can Mr. Stanley inform the committee as to how the bank can make the statement that it expects this to conclude with a number of weeks? Has a timeline been put on this? If all the bank has received is an acknowledgement, how is the bank so sure that this-----

Mr. Paul Stanley: Other than we provided everything we believe has been asked for; there have been no significant incremental asks. We will be engaging with the Central Bank. We are keen to get this out of the way as quickly as possible. I think there is enough there for us to conclude.

Deputy Pearse Doherty: As of today, what is the accurate number of customers who have been given redress?

Mr. Paul Stanley: The number today is 1,214.

Deputy Pearse Doherty: That is 1,214 over the period of January.

Mr. Paul Stanley: That is to date - from when we started.

Deputy Pearse Doherty: I understand that. What was the figure in December?

Mr. Paul Stanley: It was 1,017 or so.

Deputy Pearse Doherty: The bank has not even managed to pay back fewer than 200 people. The figure for the month of January was 193 people. Riddle me this. There are 200 people working full time on this issue and there are 31 days in January. Each one of them cannot even pay back one customer each. What Ulster Bank has achieved over the month of January is pathetic.

Mr. Paul Stanley: I do not accept that.

Deputy Pearse Doherty: Come on.

Mr. Paul Stanley: Let me finish. It is not the case that those staff members were just working on those 200 cases. They are working on the balance to get us to the 2,500 by the end of the first quarter, so work is being done on that concurrently. We have particular batch drops and times and we can fix things on the system, as I outlined in my letter. They have also been working on that. I can understand where the Deputy is coming from. A simple extrapolation of 200 says one will never get to 2,500 by the end of the first quarter but that is not correct because we have also been working on those other balancing customers.

Ms Elizabeth Arnett: For clarity, the challenge for us is there is a high degree of variation within the population or the grouping we have, that is, the 3,500. Consequently, I would not judge the progress we make in February and March on the January progress because part of our focus was trying to resolve issues so that we can deal with larger-----

Deputy Pearse Doherty: I am not judging the bank's progress. I never mentioned anything about February or March. I am saying that what Ulster Bank did with regard to customers, whom it robbed, was pathetic. It took this money from their accounts illegally. It took this money from them. We have AIB telling us that it has 500 people working on this. Whatever the 200 people in Ulster Bank who were working on this in January were doing, the first port of call is to pay back these individuals. Ulster Bank's great achievement in January was to give 197 customers back their money. When did Ulster Bank first find out that these individuals were impacted by it? It is a beautiful word - a nice industry word. These people were robbed by the bank because it told us in December 2016 that it was aware that 2,000 people were impacted, or robbed, by the bank. It is not the case that Ulster Bank only found this out a couple of weeks ago and now has to do all the calculations and all the rest. As the bank knew from December 2016 that these customers were impacted, how are members supposed to accept that a bank regulated here by the Irish State is in such disarray that it cannot return money it wrongly possesses in its accounts to its customers at least a year and one month after knowing and admitting it wrongly held that money? Is that not the case? Ulster Bank knew for more than a year and one month that 2,000 customers had their money wrongly taken from them by the bank. As of today, the bank has not given back their money to 800 of them.

Mr. Paul Stanley: The figures quoted by the Deputy are correct in terms of progress. For this quarter, we are focused on getting the 2,500 out. It is not the case that people have been sitting on their hands and have just been focused on the 197 customers we paid in January. They are also focused on getting the other two months ready and out the door as well. I accept fully that this has taken too long to do. Regarding the reasons for it, what I tried to outline in the letter was the complexity of what we are dealing with. People are working very hard and are fully aware of the difficulty this is creating for customers. They are fully aware of it. We want to solve this for both our customers and ourselves as quickly as possible. We have no interest in dragging this out. As the Deputy can imagine, it is costing us a lot of money to run all these processes internally. We need to fix it for our customers and ourselves as quickly as possible and that is where our focus lies.

Deputy Pearse Doherty: But the customers do not believe Ulster Bank.

Mr. Paul Stanley: That is where our focus lies.

Deputy Pearse Doherty: Deputy Michael McGrath talked about the letters he is getting from customers of Ulster Bank. I am the same, as I am sure are the rest of the committee members. The number of letters I get from Ulster Bank customers exceeds all of the letters I receive from other customers from all of the other banks combined. That the trend at which we are now looking because of the messing in which Ulster Bank is involved. It is not just about not paying back the customers. What about people who are putting in for their own data? What is the story there? There is a 40-day period during which the bank must provide with their data. Is that not the case?

Mr. Paul Stanley: I do not know the exact number of days but there is a fixed period. Has the Deputy raised some issue?

Deputy Pearse Doherty: No, Ulster Bank has the issue.

Mr. Paul Stanley: Has the Deputy heard from particular customers who have issues with that-----

Deputy Pearse Doherty: Of course, I have. They have contacted Ulster Bank. If the bank's chief executive officer, CEO, was present, he could actually respond because they have written personally to him time and again in cases where the data packs are not being provided. The customers have raised this with the Data Protection Commissioner. Has the Data Protection Commissioner contacted Ulster Bank regarding the bank's failure to abide by the law with regard to this matter?

Mr. Paul Stanley: Not that I am aware of but I will certainly check that out-----

Deputy Pearse Doherty: Is Ms Arnett aware of this?

Mr. Paul Stanley: No.

Ms Elizabeth Arnett: I am not aware, no.

Deputy Pearse Doherty: I could read out letters about how people are being moved from pillar to post about accessing their data with Ulster Bank. It seems that the bank is a shambles. It cannot get to grips with this. Mr. Stanley's apology and excuse for this earlier on was that when the Central Bank wrote to it in 2015, Ulster Bank sat on its hands for a couple of weeks and had a wee yarn with itself about how it would respond and that is why it lost so much time and is so far behind the other banks.

Mr. Paul Stanley: That is absolutely part of it in terms of our starting point but we are dealing with five different mortgage systems. I do not believe any other bank in this jurisdiction has to deal with that complexity. That is a challenge and a legacy of the past with which we must deal.

Deputy Pearse Doherty: Mr. Stanley told us in December 2016 that between 14 and 15 individuals lost their private dwelling homes, PDHs. Since then we know that the bank has identified another 1,500. The figure for home loss, however, has not increased despite that increase of 1,500. Is Mr. Stanley satisfied that of the 3,500 that is the number of individuals who have lost their homes?

Mr. Paul Stanley: We are now looking at buy-to-lets. That is the figure for PDHs, as the Deputy rightly says. A property already designated as a buy-to-let may now be a PDH in a loss of ownership circumstance. That is the only caveat I would put on that. We have gone through the PDH portfolio as we have designated it and those are the cases we have arrived at.

Deputy Pearse Doherty: Did any of the 15 whose homes the bank took lose their homes after the Central Bank wrote to Ulster Bank about the examination in 2015?

Mr. Paul Stanley: I will check that. I am not aware that there were.

Deputy Pearse Doherty: The Central Bank formally wrote to the bank about the examination in December 2015; did any individual lose their home subsequent to that date?

Mr. Paul Stanley: I will check that and respond to the Deputy.

Deputy Pearse Doherty: Did the bank issue any letters to the affected customers during that period suggesting that voluntary surrender would be their best option?

Mr. Paul Stanley: I will check that as well.

Deputy Pearse Doherty: Customers are taking two legal challenges against the bank,

which I presume it is going to defend robustly.

Mr. Paul Stanley: We will consider the scope of what has been raised. They are both pretty recent.

Deputy Pearse Doherty: The bank states these are people who have been denied a tracker mortgage. Does the bank still believe they were not entitled to a tracker mortgage or are they people who were deemed to have been affected but may not be satisfied with the redress offered?

Mr. Paul Stanley: I need to examine those cases in more detail. Speaking from memory one of them involves people denied a tracker mortgage.

Deputy Pearse Doherty: There are two legal cases where a customer is claiming the right to a tracker. That would sound to me as if the bank is of the view that they do not have a right to a tracker. Is that the case or does the bank want to clarify that first?

Mr. Paul Stanley: The cases have just come in. I would like to go back and examine them again. I am happy to respond to the Deputy on that.

Deputy Pearse Doherty: Does Mr. Stanley believe that his bank broke the law?

Mr. Paul Stanley: In the 3,500 cases we have reviewed, the issue has been ambiguity of documentation. It has been operational errors where different wrong rates were keyed in and some of the customer protection code, CPC, warnings required were not given. We are putting a customer lens on this in respect of remediation. Our core volume was around the use of an ambiguous term, home loan rate, and reverting to a home loan rate, and the contractual view is that the law was not broken but that is not the issue here. The issue is that it was ambiguous from a customer perspective and created an expectation that they could revert to a tracker.

Deputy Pearse Doherty: That is a “No”, is it?

Mr. Paul Stanley: Yes, the legal advice we would get on those ones is “No” but that is not the issue-----

Deputy Pearse Doherty: It actually is the issue for many people because it goes to the heart of accountability too. AIB came before us yesterday and said it denied their customers’ their legal rights. It is clear it broke the law. It also said that there was ambiguity and all the rest but there were black and white issues there. Is Mr. Stanley telling me that in Ulster Bank there are no black and white issues?

Mr. Paul Stanley: The legal advice we have received is that there is not a breach of contract issue but we are not hanging on that.

Deputy Pearse Doherty: Mr. Stanley is claiming today that everything the bank has done has been legal.

Mr. Paul Stanley: I am saying that for the vast bulk of what is there, which is one particular cohort in issue, the legal advice is that contract was not breached.

Deputy Pearse Doherty: That is Mr. Stanley’s opinion.

Mr. Paul Stanley: That is the legal advice I have received.

Deputy Pearse Doherty: I know that is the legal advice but is that Mr. Stanley's opinion?

Mr. Paul Stanley: Yes one could certainly read the documentation and say there was not a guarantee of moving back to a tracker, however, sufficient uncertainty was certainly created in a customer's mind as to what they could move back to.

Deputy Pearse Doherty: The bank has made provision for €211 million. Does Mr. Stanley believe there will be any accountability – I am nearly laughing as I ask this question because I know this is not going to happen because accountability within the bank is bizarre but I will ask it anyway: does Mr. Stanley expect any accountability within the bank? Does he expect the bank to try to figure out why this happened, why so many people were affected, why the bank took people's houses from them, why it destroyed people's lives? I could read an email I got from a customer which is horrific. It speaks about, in their words, being "harassed" by Ulster Bank because they were falling into mortgage arrears. They were brought in by Ulster Bank and questioned about the amount of money they were spending on hospital charges to visit their dying mother, it speaks about the problems in their personal life in terms of mental stress and taking medication as a result of all this. This is the responsibility of Mr. Stanley's institution. Will there be any accountability?

Mr. Paul Stanley: There is an accountability review in progress. As the Deputy is aware there is an enforcement action from the Central Bank in progress, not just for this but there is a normal process that the bank would go through that would result in appropriate sanctions against individuals concerned if they are deemed to be relevant.

Deputy Pearse Doherty: Mr. Stanley is arguing that the bank was within the law and it was just a big of vagueness and all the rest.

Mr. Paul Stanley: I can assure the Deputy there is an accountability review in progress.

Deputy Pearse Doherty: The bank's information technology, IT, system is in a shambles. The Minister for Finance told us in response to my questions that its IT shambles is the reason Ulster Bank is not able to repay customers it wrongly took money from. I asked the Governor of the Central Bank, Philip Lane, is it the case that Ulster Bank's IT system is so bad that this is the problem and he said yes that is the case. The bank's IT system had a glitch which locked its customers out of basic banking services for weeks on end.

The bank paid a dividend two days ago of €1.5 billion to its parent group at the same time that its IT systems are in such a shambles that it cannot pay back money it took wrongly from customers' accounts over a year later. Would it not fit it better to tell NatWest and Royal Bank of Scotland, RBS, no, actually we are not paying a dividend, we have a duty and responsibility of care to our customers here in Ireland and we will invest that to make sure this will never happen again and that we have robust systems?

Mr. Paul Stanley: Can I respond?

Deputy Pearse Doherty: Of course Mr. Stanley can.

Mr. Paul Stanley: As I said earlier, the issue is with legacy systems that are no longer there. We had five mortgage systems and that is the complexity of going back into systems that are closed down, extracting the information and rebuilding customer files. We now have two and in effect most mortgages are on one. That absolutely has been a challenge of the past. It is not there today. During the course of 2017 we completed that migration and we now have only two

mortgage systems.

In terms of investment in systems, those are RBS's systems, not Ulster Bank systems *per se*. RBS invests €1 billion a year in IT and systems upgrades and we are the beneficiaries of that.

It is happening both in our mortgage systems and our mortgage processes, and indeed other investments across the bank.

I will conclude by commenting on the dividend, which was also raised. Ulster Bank is excessively capitalised at this point. That, as the Deputy is aware, is taxpayers' money that came in from the UK, and was needed, in order to capitalise the bank. The European Central Bank, ECB, our own Central Bank, and indeed our own parent company, are quite comfortable with the view that it was appropriate to make that dividend. We remain the most capitalised bank within the Republic of Ireland, certainly the most capitalised of the main banks. That is why the dividend was repaid. Investment continues to take place in our system.

Senator Rose Conway-Walsh: I thank the witness for his presentation and opening statement. It is absolutely disgusting that Mr. Gerry Mallon is not here today. This is a scandal for which Ulster Bank has had to make a provision of €211 million, yet he does not see fit to come before the committee to answer questions. He should consider changing the bank's name from "Ulster Bank" to "Ambiguous Bank". It is hard to even ask intelligent questions. There is so much fudge around when everything happened or did not happen. I find it absolutely exasperating that he is not before us today, benefiting as he is from the bank. I will try to confine my questions, but as others have said, we get more letters from Ulster Bank customers than from those of all the other banks combined, and that is not by accident. There is nothing ambiguous about that.

We must also remember that in December 2016, Ulster Bank promised that all customers would be written to by the end of the year. Perhaps Ulster Bank did write to them. I will give the witnesses an example of one customer. Since January 2016, he has received the same letter over and over again. I laughed earlier when Ms Arnett referred to a "high degree of variation". There certainly is not a high degree of variation in Ulster Bank's contact with these customers. I do not accept that the degree of complexity prevents Ulster Bank from communicating effectively with its customers, because some of these calculations can be made by the homeowners themselves, as indeed they have been. These are customers who are paying 3.75% interest as things stand. They know they have overpaid by, say, €300 a month over ten years, so they know the overpayment amounts to €30,000. They know that is what is due to them, compensation aside. As such, it is extremely frustrating for us and for them to see that we are here two years later. They are still opening their envelopes, getting the same thing over and over.

There are so many contradictions in what the witnesses say about the way they treat customers. Mr. Stanley's opening statement claimed:

"The letters we write to customers are designed to complete a picture for them. In some cases these can contain up to 30 pages but they also include a summary. They contain a full financial statement going back to the month when the impact happened and provide a month by month statement for the years the impact happened."

Very good. However, that is not what customers are telling us.

Mr. Paul Stanley: That is what customers who are receiving their cheque in the post are receiving, as distinct from customers who are acknowledged as part of the process or programme.

Senator Rose Conway-Walsh: How many appeals have been launched against Ulster Bank on foot of the letters that have been sent?

Mr. Paul Stanley: Our appeals process has just started. We have about 12 appeals ongoing. A larger number of customers have asked for appeals documentation. Such requests number approximately 130 or 140.

Senator Rose Conway-Walsh: Out of how many?

Mr. Paul Stanley: Out of the 1,214 customers that we have-----

Senator Rose Conway-Walsh: That is a very high number, is it not? People who are obviously not-----

Mr. Paul Stanley: It is. The Senator may have a view of the situation in other banks. I do not. I am not sure how it compares with the situation elsewhere.

Senator Rose Conway-Walsh: It is not as high as that elsewhere, and that reflects the assessments that Ulster Bank is making in offering redress and compensation. Getting back to the data issues, Ulster Bank has already been in trouble with the Data Protection Commissioner for seeking data from customers, has it not?

Mr. Paul Stanley: Specifically, what is the Senator referring to?

Senator Rose Conway-Walsh: This concerns the tracker issue. Has Ulster Bank been contacted by the Data Protection Commissioner?

Mr. Paul Stanley: Not that I am aware of.

Senator Rose Conway-Walsh: Ulster Bank has not been contacted.

Mr. Paul Stanley: Not that I am aware of.

Senator Rose Conway-Walsh: To the best of my knowledge, it has been contacted.

Mr. Paul Stanley: We will check that.

Senator Rose Conway-Walsh: It seems to me that this is not a fair process, considering what Ulster Bank is asking of its customers and what its customers are asking of the bank. When customers ask for their own data, the bank does not give it to them. Instead the bank blames the system, as has happened in this hearing. Ulster Bank hides behind its systems when accounting for the period when customers had to endure having their money taken, and now it refuses to give that money back, or delays in doing so. Justice delayed is justice denied, as far as I am concerned. My colleague outlined some of what these families are going through. They have been hounded and persecuted by the banks and by Ulster Bank, and the CEO does not even see fit to come before us. It is so frustrating. When will the new CEO be appointed?

Mr. Paul Stanley: As I understand it, Mr. Mallon is working out his term of notice, which is six months. I assume he will be appointed within that period. I am not privy to that. I do not know.

Senator Rose Conway-Walsh: I will not ask any more questions about it. I appeal to the witnesses to stop missing these deadlines and to treat customers with respect. They cannot simply apologise to customers for the way they have been treated. I am talking about the way

customers continue to be treated.

Mr. Paul Stanley: Where the ongoing contact is concerned, I certainly appreciate customers' frustration. Our focus has to be on getting customers out the door, finished and remediated as quickly as possible, and having it done by June. I accept the challenges and the Senator's points.

Senator Rose Conway-Walsh: It is not even a question of accepting their claims. I call on the witnesses to communicate with their customers. They are telephoning a call centre in Belfast. They are being told that staff do not know about the issue, and instructed to go back to Dublin. The bank does not know. Nobody knows. Nobody is responsible. Mr. Stanley said that 200 people work on this programme full-time. Of that 200, how many are in the call centre in Belfast?

Mr. Paul Stanley: The 200 are working directly on the project. The call centre is separate to that.

Senator Rose Conway-Walsh: Can the witnesses empower them to make decisions and to communicate in a humane way and clear way? I do not want to hear the word "ambiguous" again. That is what has led us into all of this in the first instance. From today, we need to see a marked change in the way customers are treated. The proof of the pudding will be in the eating, not in what Mr. Stanley says.

Mr. Paul Stanley: Yes. The proof will be in delivering according to those targets that we have set ourselves.

Senator Rose Conway-Walsh: Can Mr. Stanley explain the difference between transparency errors and operational errors?

Mr. Paul Stanley: Transparency errors, which account for the bulk of our 3,500 impacted customers, arose where we used certain terminology, saying that when a customer came off a fixed rate they would go back to the bank's variable home loan rate. What did that home loan rate mean? Customers who were on trackers interpreted it as being the tracker rate. Customers who were on a variable rate interpreted it as being a variable rate. That is the ambiguous language.

Operational errors involved the wrong rate being keyed in through error. Instead of a tracker rate of 2.75%, it was recorded on the system as either 2.5% or 3%.

Senator Rose Conway-Walsh: Nobody picked up any of these errors along the way. I raised it with Bank of Ireland the other day. None of the banks' legal teams, none of their senior executives-----

Mr. Paul Stanley: In regard to the detailed trawl through our systems that we have carried out, I can only speak for Ulster Bank. That was not done in such detail before, absent the tracker mortgage examination.

Senator Rose Conway-Walsh: It is an absolute insult to Irish citizens and to customers to describe these as errors. They certainly were not errors.

Mr. Paul Stanley: There were certainly errors. As we went through our process we found incorrect rates keyed in. Where the documentation mentioned a certain rate, another was keyed in.

Senator Rose Conway-Walsh: There would be a very small amount of human error.

Mr. Paul Stanley: As I said, the vast bulk of cases relate to ambiguous terminology.

Senator Rose Conway-Walsh: That was not an error. I thank the witness.

Deputy Paul Murphy: It is clear that in many cases Ulster Bank has abused its customers not once, not twice, but three times. It first robbed them of the tracker rates to which they were entitled, second, it harassed some of those people when they fell into arrears, and third, even compared to other banks, it has been dragging its feet in providing appropriate compensation and redress, which is an ongoing abuse. I have quite simple questions. Approximately how much money did Ulster Bank benefit from as a result of denying customers their right to tracker mortgages or correct rates?

Mr. Paul Stanley: In respect of the €211 million provision that is in place, approximately a third is for the costs of running the programme and the balance is for compensation and remediation. The compensation piece would not have been part of money Ulster Bank made, but the balance would be. I do not know the exact breakdown of it, but that would give the Deputy a flavour of it.

Deputy Paul Murphy: Would it be in the region of €100 million?

Mr. Paul Stanley: It would probably be around that level. That would effectively have been the figure for the interest differential and the overpayments.

Deputy Paul Murphy: Why does Mr. Stanley think this happened in the first place? Why were people taken off tracker mortgages or their correct rates?

Mr. Paul Stanley: It was due to a combination of factors. One is that the economic circumstances which the banking industry and the country were going through back in 2008 meant that the tracker product was loss-making. Banks will take products out of their ranges at any point in time. In taking these products out of their ranges, I do not believe sufficient consideration was given to the implications for customers who might have come off a tracker and onto a fixed rate and for other such instances. That is what I believe happened.

Deputy Paul Murphy: Mr. Stanley has similar beliefs to the witnesses from Bank of Ireland and AIB. They have similar stories. A commercial decision was taken on the offer of a tracker and that had-----

Mr. Paul Stanley: Knock-on impacts.

Deputy Paul Murphy: Those knock-on effects were unidentified in advance of the decision.

Mr. Paul Stanley: They were not identified or thought through in advance. Certainly in our case, to go back to the issue of ambiguous terminology, we believed that if customers were coming off a particular product they would revert to the standard variable rate as part of that process.

Deputy Paul Murphy: I find it hard to believe that Ulster Bank and the other banks did not anticipate that knock-on effect or, indeed, want it. Is Mr. Stanley aware that there was tension in the mortgage centre among the staff who were working on tracker mortgages and that the staff at ground level were put under pressure to not allow people back on to trackers and

to get people off them? In some cases that I am aware of there were disputes. The union was involved. Staff members only agreed to do it on the basis of putting a note on the system which said that management had instructed them to do so.

Mr. Paul Stanley: I am not aware of that. It was before my time. To be clear, as far as I have been able to determine, there is no evidence that there was any systematic or coherent effort to move people off trackers. If one looks at when people moved off trackers, it was generally during periods of high interest rates when it was cheaper to have a fixed rate than a tracker rate. That is where the difficulty and challenges occurred.

Deputy Paul Murphy: I suggest that Mr. Stanley investigate that because it indicates that staff were uncomfortable with what they were being asked to do. It also indicates that they had a better ethical approach than the management which was driving this process.

Mr. Paul Stanley: I will look into that.

Deputy Paul Murphy: It is quite a coincidence that Ulster Bank took advantage of what it now says was an ambiguity in the terms given to people on tracker rates and that the other banks did so at the same time. Was there any communication between Ulster Bank and other banks on this issue?

Mr. Paul Stanley: I can only speak for myself, but there was none that I was aware of. In our case many of these instances related to customers going on to fixed rates and then not reverting to tracker rates. Even before tracker rates came into existence the standard market practice was that when customers came off a fixed rate, if they did not choose another product, they would revert to the standard variable rate. There was probably an over-reliance on that standard practice.

Deputy Paul Murphy: It just so happens that this standard practice, this ambiguity and this failure to think through knock-on effects had a positive effect on the bank to the tune of €100 million. We are expected to believe that it just so happened that the situation benefited the bank to the tune of €100 million and that nobody thought it through. Does Mr. Stanley understand how I find that hard to believe, even though my opinion is not as important as that of the customers harassed by Mr. Stanley's bank?

Mr. Paul Stanley: To go back to what we originally discussed, I can understand as customers felt they had an entitlement to go back onto tracker rates. That was the understanding which some customers, though not all, had when entering into a fixed rate contract.

Deputy Paul Murphy: They were right. Mr. Stanley has accepted that they were right. They did have a right to revert to a tracker rate.

Mr. Paul Stanley: Our documentation was sufficiently ambiguous that they were confused and believed they should have been able to, yes. I accept that.

Senator Kieran O'Donnell: I welcome Mr. Stanley and Ms Arnett. Like my colleagues, I think it is reprehensible that Mr. Mallon did not appear today. We have been pursuing Ulster Bank to come before the committee for many weeks. The bank did everything in its power to ensure that it did not. We have a body of work to do and now we find that the bank has arrived in without its CEO. This is not personal, it is just that the buck stops with the CEO. Mr. Mallon should have been here today. I want to put that on record. The bank has come in here kicking and screaming. It has not come in of its own accord. We have a duty to the public, and in

particular to the tracker mortgage holders - the victims - who got caught up with many of the institutions, including Ulster Bank.

I just have a few quick questions. What is the total figure the 1,214 customers who have been redressed and compensated at this stage have received? How is it broken down between redress and compensation?

Mr. Paul Stanley: I can get that figure for the Senator. That is the up-to-date figure as of today. Do we have it to hand?

Senator Kieran O'Donnell: The figure was 1,200 by the end of 2017.

Mr. Paul Stanley: We have averages in the response we sent to the committee but not the incremental total. Sorry, I have the total here. Close to €24 million has been expended on redress.

Senator Kieran O'Donnell: How does that figure break down into redress and compensation?

Mr. Paul Stanley: I will need to give the Senator the proper breakdown later, but the payments made to customers by way of cheque as part of that €23 million account for approximately €18 million. The other €5 million is balance adjustments and reverting imbalances.

Senator Kieran O'Donnell: So the figure is €23 million in total, is that correct?

Mr. Paul Stanley: It is €23 million in total. Cheques sent to customers account for €18 million and reducing the balances they owe the bank account for another €5 million.

Senator Kieran O'Donnell: Is €18 million the figure for redress and €5 million the figure for compensation?

Mr. Paul Stanley: No, €18 million is a combination of both. I do not have a breakdown but I will get it and revert to the Senator with it.

Senator Kieran O'Donnell: I mean no disrespect to Mr. Stanley, but he knew he was coming before the committee today. That figure relates to a question which was obviously going to be asked. I do not think it is reasonable for him to come in without having that figure to hand.

Mr. Paul Stanley: I would need to break down the €18 million for the Senator. I will do so.

Senator Kieran O'Donnell: There are 1,200 customers. The problem is that the money Ulster Bank is refunding to people is not the bank's money; it is the tracker mortgage holders' money.

Mr. Paul Stanley: Yes. I fully understand.

Senator Kieran O'Donnell: They should not have to beg for it. We have been consistent with all the banks. I have no doubt but that the witnesses have watched the committee's proceedings with great interest. We have sought the total amount that has been paid to date, which the witnesses have given, and a breakdown of that amount in numerical and value terms between compensation and redress. The witnesses have come here without that figure. I will not put that down to a schoolboy error because it is not; I can only think it is deliberate.

Mr. Paul Stanley: It is not deliberate. I will give the Senator a breakdown of the figure.

The question that was asked in the committee report's annexe concerned average compensation values, not total values. We returned those average compensation values, but not the total values, to the committee.

Senator Kieran O'Donnell: We have asked this consistently of all the banks that have come before us. It is a question the tracker victims and the public looking in are asking. They want to know what percentage is being paid in addition to the redress and compensation. Can Mr. Stanley give me an idea-----

Mr. Paul Stanley: I can. Members have the figure we have just spoken about in the annexe I sent back to the committee. The average compensation amount for a PDH is approximately €3,000. For buy-to-let it is a little lower - €2,000. However, I very much caution the Senator that we have not completed the process. In effect, that figure is only for the 1,200 customers I spoke about earlier. That is too small a group to say that is the overall figure. As I said, we need to get to the overall amount out of the €211 million that is applicable to customers, so I-----

Senator Kieran O'Donnell: Of the 3,500 customers the bank has identified, 1,200 represents 35%. It would be interesting to see what percentage it is paying-----

Mr. Paul Stanley: There are one or two very high levels in that and many small ones as well.

Senator Kieran O'Donnell: What is the highest amount the bank has paid?

Mr. Paul Stanley: For a loss of ownership, I signed a cheque this week for in excess of €300,000.

Senator Kieran O'Donnell: The breakdown between the redress and compensation for that-----

Mr. Paul Stanley: I do not have the details of the individual case before me.

Senator Kieran O'Donnell: That person lost his or her home.

Mr. Paul Stanley: Yes.

Senator Kieran O'Donnell: I will move on to a matter Mr. Stanley touched on earlier. It was reported towards the end of last year that there was a dispute between Ulster Bank and the Central Bank. Between 2,000 and 3,000 additional tracker mortgage holders might be impacted upon by this scandal. Can Mr. Stanley tell me where this matter stands? What is the profile? What is the area of dispute regarding these 2,000 to 3,000 customers on top of the 3,500? It could be virtually double the original figure.

Mr. Paul Stanley: First, we are not in dispute with the Central Bank. The Senator missed the earlier part of our discussion. The Central Bank has asked for extra evidence and asked us to look at a number of policy areas again. These were judgmental areas in terms of whether cohorts or elements of customers were in or out. I ask the Senator to let me finish because he missed the earlier part of the session. I expect that to be resolved in the next few weeks. I also said I would not talk about specific numbers here, but we do not see them on the scale of the 3,500 we have already identified under phase 2.

Senator Kieran O'Donnell: Does Mr. Stanley see a much lower-----

Mr. Paul Stanley: In fairness to the Central Bank, I will not, as I told Deputy Pearse Doherty earlier, comment on the numbers until we conclude those discussions.

Senator Kieran O'Donnell: We had representatives from Bank of Ireland before us a number of days ago. Bank of Ireland stated that 6,000 of its customers were in similar discussions. In a number of those cases, the areas of discussion that arose before the new CEO was appointed concerned the fact the mortgages were taken out before the consumer protection code was introduced in 2006.

Mr. Paul Stanley: We do not rely on that. I am aware of it and we have not relied on it.

Senator Kieran O'Donnell: That is not an issue-----

Mr. Paul Stanley: It is not an issue.

Senator Kieran O'Donnell: Ulster Bank will therefore treat them consistently regardless of whether they took out their mortgages before or after the introduction of the code.

Mr. Paul Stanley: Yes.

Senator Kieran O'Donnell: I assume this cohort is coming down to interpretation of individual agreements, and that is the range.

Mr. Paul Stanley: There are a number of items in there, and it is more appropriate for us to conclude over the next few weeks our discussions with the Central Bank. It is our intent to conclude in a positive way but we need to finish that discussion.

Senator Kieran O'Donnell: Mr. Stanley is stating that there will be new-----

Mr. Paul Stanley: I expect there will be some but I will not comment on the number until we conclude.

Senator Kieran O'Donnell: How long before that group of victims who had tracker mortgages will be paid and compensated?

Mr. Paul Stanley: That will depend on the final conclusions with the Central Bank. I cannot comment on the timelines on that until we have concluded our discussions but, whatever we end up with as part of those discussions, we want to get it finished as quickly as possible. Can I guarantee that those increments will be done by the end of the second quarter of 2018, in respect of which we are working on the 3,500? No, I cannot until I go through the detail of them.

Senator Kieran O'Donnell: Is it fair to say that of the 3,500 customers, 1,214 have been paid and compensated to date?

Mr. Paul Stanley: Correct.

Senator Kieran O'Donnell: Has Ulster Bank previously given timelines for the others? I have just said that the balance of 2,300 would be paid by the end of June of this year.

Mr. Paul Stanley: We have a target - again, we spoke about it earlier - of 2,500 by the end of this quarter and then the balancing 1,000 by the end of June. That is what we are working towards.

Senator Kieran O'Donnell: Of the 3,500 Ulster Bank has identified, 1,200 have been paid.

That leaves the bank a balance of 2,300.

Mr. Paul Stanley: We want to get to 2,500 by the end of this quarter and to the full 3,500 by the end of the second quarter of the year.

Senator Kieran O'Donnell: Regarding the other group that has been identified, when does Mr. Stanley anticipate that?

Mr. Paul Stanley: When do I anticipate getting them identified or-----

Senator Kieran O'Donnell: I know what Mr. Stanley is saying but I would have thought people were entitled to some indication as to when they will be paid and compensated.

Mr. Paul Stanley: I expect that we will conclude the discussions with the Central Bank over the next few weeks. I expect that the Central Bank will have targets for us over which to conclude those. At that point, I would be happy to share that with the Senator, but I honestly cannot say today-----

Senator Kieran O'Donnell: If Ulster Bank concludes those discussions by, say, the end of February, that leaves the bank with March, April, May - four months to the end of June. Can Ulster Bank bring a conclusion to this for the people affected?

Mr. Paul Stanley: I cannot get into that because our priority is dealing with what we know at this point, which is the overall 3,500 customers as part of phase 2, which is not to say any other customers affected are not also a priority. The challenge will be to get what we have committed to out the door and to get anything that might be incremental on top of it. When we have confirmed what we have to deal with, we will commit to the appropriate timelines.

Senator Kieran O'Donnell: Why is it taking so long? Mr. Stanley keeps going on about legacy systems and so forth. Why are we here today having to tussle with him to extract what is basic information? If the roles were reversed and I was the customer and he was the banker pursuing me for my mortgage, I do not think he would be as civil, and that is the core of the problem. The ordinary person out there is saying the banks will always be banks. People expected to see change when the crisis came. Ulster Bank was bailed out by its parent company in the UK but it has a large body of Irish customers. It made a substantial contribution in the farming sector, it pioneered in the SME sector and it went into small towns. With the level of money involved, why have banks eroded that goodwill with customers and the general base? Mr. Stanley might put that in context.

On the tracker mortgages and the years when overcharging was taking place, how much did the banks benefit in terms of the bottom line? Mr. Stanley is the chief operations officer. How much did the bank benefit in terms of its profit and loss on an annual basis?

Mr. Paul Stanley: I responded to that question earlier but I can do it again. Does the Chairman want me to respond?

Chairman: Mr. Stanley has the figures so please answer it again.

Mr. Paul Stanley: In terms of an estimate, €211 million is our provision that we have in place. Some 30% of that is for costs of the projects. Some of the banks put them in; some other banks do not. We are talking about €170 million or €180 million of which compensation - the banks did not benefit from compensation - will be an element of that. The rough estimate would be in the €100 million to €120 million range.

Senator Kieran O'Donnell: Can Mr. Stanley explain why-----

Mr. Paul Stanley: Why what, Senator?

Senator Kieran O'Donnell: -----it has taken this long? Why do we have to pursue the banks? If Padraic Kissane and his tracker victims had not come in here, what would have happened? It was the human story that opened the lid fully. Why are the banks behaving like this when it is eroding goodwill? In the scheme of things for the overall banking system, the sum is not enormous. Why are they doing that?

Mr. Paul Stanley: I accept the point that the tracker mortgage process and examination has eroded significantly the goodwill of customers, certainly those customers impacted during the period. We are endeavouring to fix that. I will not go back to the complexities of systems again; I have already done it.

Senator Kieran O'Donnell: I am not asking Mr. Stanley to do that.

Mr. Paul Stanley: We are dealing with customers now and if we take loss of ownership customers in particular, we are trying to do right by them. It is not easy, and they have had an horrific time in terms of what has happened to them. We are engaging with Mr. Kissane and others as part of that process to try to have an engagement that is as helpful to the customers as possible. That is part of trying to rebuild. Trying to rebuild trust in the industry again is a long journey.

Senator Kieran O'Donnell: Does Mr. Stanley believe Ulster Bank owes an apology to the tracker mortgage victims?

Mr. Paul Stanley: We have already done that, and I apologised again in our statement today. Yes, we do.

Senator Kieran O'Donnell: I thank Mr. Stanley.

Senator Rose Conway-Walsh: Can I clarify an issue? There is lengthy correspondence between Ulster Bank and the Data Protection Commissioner about Ulster Bank's request for excessive information. Mr. Stanley will be aware that information has to be adequate, relevant and not excessive and the Data Protection Commissioner found that the information the bank was asking for was excessive. I refer to September 2016.

Mr. Paul Stanley: Does the Senator mean the trackers or-----

Senator Rose Conway-Walsh: No, into new customers.

Mr. Paul Stanley: New customers.

Senator Rose Conway-Walsh: Obviously, that is the ethos of the bank. I just want to clarify that.

Mr. Paul Stanley: I thank the Senator. I ask her to allow me to look into that.

Senator Gerry Horkan: Mr. Stanley was trying to not come in today, 1 February, because of the closed period-----

Mr. Paul Stanley: Correct.

Senator Gerry Horkan: -----or suggested he could not come in, even though every other bank was reasonably willing to come in during the same closed period. All the banks have very similar closed periods in that all of them have December year ends.

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: As a result of our exchange this morning, it is clear why Mr. Stanley did not want to come in on 1 February. It is because it is hoped a lot more progress would be made by 1 March, 1 April or whenever he would come in again. Of all the banks we have heard from so far, and Mr. Stanley has acknowledged this, Ulster Bank is clearly the furthest behind.

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: Is every account being examined? In terms of the difference between the 3,500 and the final number, are the only accounts being examined those that are with the Central Bank for robust discussion between Ulster Bank and the Central Bank as to whether they are in or out?

Mr. Paul Stanley: I have to go back to the journey I described earlier. We started off with the overall mortgage-----

Senator Gerry Horkan: Three hundred and ten thousand. We got that.

Mr. Paul Stanley: It got down to the 7,000. In terms of the consistency of customer journeys within that 7,000, we have grouped-----

Senator Gerry Horkan: All 1,600 of them or whatever it was.

Mr. Paul Stanley: Yes. We have grouped customers into those journeys and if the journey is impacted, then each account is gone through-----

Senator Gerry Horkan: It is fair to say, therefore, that 3,500-----

Mr. Paul Stanley: -----which is the 3,500.

Senator Gerry Horkan: -----are definitely confirmed and there is another potential percentage in terms of the other 3,500. Mr. Stanley expects the figure not to be as big as 3,500-----

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: -----but he will not say anything after that.

Mr. Paul Stanley: I am not going to-----

Senator Gerry Horkan: It is difficult, therefore, for us to ask questions. I accept Mr. Stanley cannot talk about closed period matters but I am not asking about closed period matters. Mr. Stanley is here to talk about tracker mortgages-----

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: -----and it is very unfortunate that he is not willing to give us a bit more detail on the actual numbers.

Mr. Paul Stanley: I could say more post the results on the questions the Senator is asking, including on tracker mortgages. I am not in a position in the closed period to say that.

Senator Gerry Horkan: At the same time, Mr. Stanley has a provision in his accounts at 31 December 2016 of €211 million.

Mr. Paul Stanley: Correct.

Senator Gerry Horkan: Does he expect that to be sufficient to cover potentially up to 7,000 cases?

Mr. Paul Stanley: I am now entering into disclosures prior to results.

Senator Gerry Horkan: Mr. Stanley cannot tell us that.

Mr. Paul Stanley: No.

Senator Gerry Horkan: Touching on Senator Kieran O'Donnell's questions, the 1,214 people who have been paid out are the only people on which we can have absolute certainty in terms of the figures. Are the 2,396 who are not yet paid out tied down in that Ulster Bank knows the cost per customer of each of those ones?

Mr. Paul Stanley: Of the 1,214?

Senator Gerry Horkan: No. On the difference between the 3,500 that are confirmed, 1,214 are paid out but 2,396 or thereabouts are not paid out. Of the 2,396 that are not paid out, is there certainty in Ulster Bank's books regarding the amounts that are payable to those people?

Mr. Paul Stanley: No. The full process of assurance has to be gone through those, and those are third party assured as well. We have more work to do.

Senator Gerry Horkan: The averages mentioned in Appendix 1 for compensatory redress only relate to the 1,200 that are paid out-----

Mr. Paul Stanley: Correct.

Senator Gerry Horkan: -----not the balance of 3,500.

Mr. Paul Stanley: No. That is what is paid out.

Senator Gerry Horkan: We are still looking at only a very small percentage of what potentially is the impact on customers. I accept it probably will not be a full 7,000.

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: It is somewhere between 3,500 and 7,000. We are looking at only 1,200. Mr. Stanley mentioned one case of loss of a home worth €300,000. Is that the highest-----

Mr. Paul Stanley: That is the highest I have signed to date.

Senator Gerry Horkan: To date. Are there others in that general region?

Mr. Paul Stanley: As I said, we are still going through a number of our loss of ownerships with the customers. I do not have those figures in front of me but potentially there could be some loss of ownerships.

Senator Gerry Horkan: Even in excess of the €300,000 case?

Mr. Paul Stanley: I am saying potentially there could be some.

Senator Gerry Horkan: Of the 1,214 that are paid out, how many are over €100,000?

Mr. Paul Stanley: I would have to revert to the Senator on that. Not too many. Most of them are below €100,000.

Senator Gerry Horkan: It is becoming more clear all morning that there is a lack of data and information. Bank of Ireland and AIB have been before the committee. I am sure Mr. Stanley's team has been able to look at the questions we asked them and they were able to give us a lot of detail Mr. Stanley is not in a position to give us, and it is a much smaller sample.

Mr. Paul Stanley: That is the point I made to the Senator. He can see that-----

Senator Gerry Horkan: I have been here all morning so I have heard about legacy systems and so on.

Mr. Paul Stanley: That is not the legacy system.

Senator Gerry Horkan: I accept that but 1,214 cases are paid out and it would have been very useful for us, even if they were the easiest cases, to get some indication on those because if I was an Ulster Bank customer impacted by this, I would be very concerned that I would get my money back by June based on what we have heard this morning because it seems, and Mr. Stanley has admitted it, that Ulster Bank has a lot of technology issues to resolve.

Mr. Paul Stanley: To be clear, the technology issues are resolved. We no longer have five legacy systems; we have two mortgage systems. The challenge is in building the customer files and the calculations. It is not a technology issue; it is a data retrieval issue to complete that exercise.

Senator Gerry Horkan: From previous systems.

Mr. Paul Stanley: From previous systems.

Senator Gerry Horkan: It would be useful if Mr. Stanley were to come in again relatively soon to update us on the progress and give some confidence to the people involved that they will get somewhere-----

Mr. Paul Stanley: Yes.

Senator Gerry Horkan: -----because I do not believe we can leave it as long based on the fact that we have not been able to get all the information. The more information we have, the more we can give some reassurance to customers. Based on what we have heard this morning, I do not believe that the people watching these proceedings this morning will be overly reassured that they will have everything by June.

Deputy Jack Chambers emailed me about a particular constituent who says that some Ulster Bank switcher customers have received a cheque for the amount they overpaid from the date they were wrongly removed. They say they are currently going through the procedures but that many other Ulster Bank switcher customers have not even received the courtesy of a confirmation that they are impacted and will be dealt with in due course. The customer has a list of questions including why Ulster Bank switcher customers have not received written confirmation that they are impacted under the process, if everybody will receive confirmation that they

are impacted, and, if they are impacted, by when will they receive it.

Mr. Paul Stanley: For Ulster Bank to confirm to the residual customers whether or not they are impacted, we must conclude our phase two discussion with the Central Bank. It would be wrong of me to say that because someone is not among the 3,500, they are not impacted. That is the immediate challenge we face. After that we can be quite clear with customers about who is or is not impacted.

Senator Gerry Horkan: In relation to those 3,500, and I accept what Mr. Stanley said that it will probably not be that many, when will they know one way or another?

Mr. Paul Stanley: We anticipate that we will know in the coming weeks and then we will contact customers.

Senator Gerry Horkan: How long will it take between when the bank knows and the customers know?

Mr. Paul Stanley: The intention is that it will be some weeks.

Senator Gerry Horkan: Will that be two, three, four, six weeks?

Mr. Paul Stanley: I would have to go back. It will depend on the number of customers we must contact.

Senator Gerry Horkan: I accept that but if the bank has a database, and the Central Bank sends it an Excel sheet regarding 3,500 customers, even with that many customers, the bank could use mail merge to let people know if they were impacted or not and that the bank will contact them in due course.

Mr. Paul Stanley: We will certainly do that within a month of closing, to give us time to get it out. We need to conclude the process with the Central Bank of establishing what is or is not impacted.

Senator Gerry Horkan: It is very unfortunate that a CEO who has six months left in that position is not before the committee. Mr. Stanley is getting the brunt of what he would probably get. It would have been to Mr. Stanley's benefit if he was here. My understanding is that Richie Boucher was either on holidays or was going within a very short number of weeks, after a very long time in the bank. Mr. Stanley has told us that this individual will be there for a further six months. This meeting has not been half as helpful as it might have been had he been here and if we had much more data on the 1,200 or 1,400 customers. The fact that the 1,200 or 1,400 is around one third of the confirmed customers paid is far behind everyone else, which Mr. Stanley has confirmed.

I do not have much more to raise here because it has all been covered already. In view of the closed period issue and lack of data, I do not have much more to raise.

Senator Paddy Burke: I welcome Mr. Stanley and Ms Arnett. The bank's complaint handling centre received a letter from a customer in January 2016, over two years ago. The letter thanks the customer for their letter of 23 January and tells them that the bank is currently working through the Central Bank requirements and will continue in due course if this customer's case falls within the scope of those requirements.

It is quite obvious that the Central Bank was working with Ulster Bank before 2016. This

point follows on from Senator Horkan's comments. The Central Bank was working with Ulster Bank prior to 2016, so we are talking about 2015 and the requirements of what they would agree. The letter says the bank will contact the customer in due course if their case falls within the scope of those requirements.

Mr. Paul Stanley: Does this relate to tracker mortgages?

Senator Paddy Burke: Yes, it relates to tracker mortgages. Mr. Stanley has said the bank is still in contact with the Central Bank. Is the Central Bank changing its requirements which are needed to arrive at the final scope on a weekly basis?

Mr. Paul Stanley: My previous response was not clear. We are clear about the 3,500 customers whose cases we came here this morning to discuss. We have had several challenges back on our phase two report on which we hope to close with the Central Bank in coming weeks. That will allow us to be clear on what customers are or are not impacted. We will commit to communicating with all customers who are impacted at that point.

Senator Paddy Burke: I take on board what Mr. Stanley says but the Central Bank has been dealing with Ulster Bank on this matter for almost three years. Is the problem that the Central Bank is moving the goal posts?

Mr. Paul Stanley: No.

Senator Paddy Burke: How is it that we cannot get to a situation where there is a final agreement and the bank can write to everybody? The bank cannot write to everybody until it has the final requirements from the Central Bank. It has taken almost three years to get those. Why is that?

Mr. Paul Stanley: I will not go over the length and complication of the process. We submitted our phase two report in March 2017. The Central Bank came back to us in November 2017 with a series of questions and clarifications, to which we responded by mid-January. We need to conclude on those and close out any residual customers who may be impacted and who are not included in the 3,500. That is the timeline.

Senator Paddy Burke: So the customer to whom I referred will not get any satisfactory answer until the bank reaches all these stages.

Mr. Paul Stanley: As I said earlier, we expect that completing that is a number of weeks away. Once we conclude the process with the Central Bank, as I said in response to Senator Horkan, we will communicate with all impacted customers within a month. To be clear, this will involve communicating with them, it will not involve sending out individual cheques for any residual customers. We still have to work through the complications of that process.

Senator Paddy Burke: The bank has two appeals committees, is that correct?

Mr. Paul Stanley: This is correct.

Senator Paddy Burke: Is it correct that the complaints are mainly handled in Belfast? The customer in the case I mentioned said that they have to contact Belfast, and it is not satisfactory. They might ring there and get an answering machine and no reply. There is no unit in Dublin for people who have been impacted in this part of the country. Is that correct?

Mr. Paul Stanley: Particularly in the case of loss of ownership, the cases are dealt with

directly in Dublin.

Senator Paddy Burke: Are they? All of them?

Mr. Paul Stanley: Yes, all of them. Individual managers here in Dublin are allocated to loss of ownership customers, as they are the most vulnerable.

Senator Paddy Burke: But the vast majority of complaints must deal with the bank in Belfast.

Mr. Paul Stanley: Yes, they must go to the help desk in Belfast. We also have support within Dublin but the Senator is correct that the initial contact is in Belfast.

Senator Paddy Burke: It is very frustrating for those people to have to go to a help desk in Belfast equipped with answering machines. Can Mr. Stanley bring a message to the bank that if the customers contact it, the bank should contact the customer back in a timely manner?

Mr. Paul Stanley: If it has not been done already.

Senator Paddy Burke: What will happen to the 200 staff in the bank when all this is over? Will they be laid off or redeployed?

Mr. Paul Stanley: It will be a combination. Some of those staff were already at risk of redundancy but were retained as part of the bank. Some staff were in line for redundancy and, indeed, many wanted to move on and may decide to go. We will look at the numbers and what other issues in the bank require support. Many of these staff have built up a very good skill set, whether they use it in Ulster Bank or elsewhere. We need to decide on this. Put simply, if there was no tracker mortgage examination in a year's time, and nothing else was happening in the bank, many of that 200 would be surplus. That does not refer to the individual staff member but the full-time equivalent numbers in the bank.

Senator Paddy Burke: What will be different in how the bank operates in the future? How can we guarantee that the same thing does not happen again?

Mr. Paul Stanley: We have learned a lot but I will ask my colleague, Ms Arnett, to join in the response to that question. Many lessons have been learned from this process. For me, one is that we must listen to the customer and put the customer lens across what the bank does rather than viewing it through a purely legal or contractual lens. That is a core lesson not only for Ulster Bank, but also others. That is not what was done. The view was very much a legal one of where the bank stood contractually.

Ms Elizabeth Arnett: One could divide our response in two broad types of activities. One is based on behaviour and culture and the other is operational changes. On operational changes, first and foremost, we are looking to ensure that our documentation is very clear and there is no ambiguity within it. We have simplified our mortgage products to remove any ambiguity. We have looked at our full mortgage process to see if we can identify any risks within it. One might argue that if that had happened prior to 2000, looking at tracker mortgages and what aspects of risk were there, we might not be here today. Those are the types of steps that we have taken to examine the bank's operations and how we can address the issues we have identified.

Importantly, we are examining behaviours and values as a bank, and we have come a long way in how we expect our staff to behave towards customers. We have come a long way in that regard in terms of our code, standards and policies and how we work that into the expecta-

tions of what staff do and how they behave. We survey every staff member, of whom there are 75,000 as we are part of the RBS group, across the entire bank to identify where, for example, staff members feel it is not acceptable or encouraged to raise issues in their section of the bank. We want to have a challenge culture such that a member of staff can challenge something with which he or she is not comfortable. We have put a big focus on risk management, in particular in Ulster Bank and very much led by the board, and being very proactive in terms of identifying risk to customers. Much has been done but we have a long way to go on those issues. However, we are very committed to achieving our ambition to be number one for customer service trust and advocacy.

Senator Paddy Burke: The level of compensation is between 12% and 20%. Who has final agreement on its make-up? Does the Central Bank, with Ulster Bank, set targets for different clients? How does that operate?

Mr. Paul Stanley: We submit our compensation levels to the Central Bank and, after some dialogue in that regard, it notes them. There is no specific requirement or sign-off from the Central Bank.

Senator Paddy Burke: What about non-performing loans? Some tracker loans could be non-performing. How are they dealt with if there is no hope for some of them? A vice president of the European Commission, Commissioner Valdis Dombrovskis, gave evidence to the committee this morning that it is advocating write-downs to the banks.

Mr. Paul Stanley: Is this a wider question on non-performing loans?

Senator Paddy Burke: There are non-performing tracker loans. The Commissioner advocated write-downs.

Mr. Paul Stanley: I do not believe the European Commission specifically advocates write-downs but, as the Senator is aware, the European Central Bank, ECB, is looking for a norm across Europe of non-performing loans being 5% of a bank's portfolio. That can be agreed through a number of avenues, such as working things out with customers and getting them off non-performing loans, asset sales or, potentially, write-downs. There is not only one option in that regard.

Senator Paddy Burke: Mr. Stanley is saying it will not come into the equation in regard to trackers. There will be no write-downs in that regard.

Mr. Paul Stanley: With the exception of loss of ownership customers where, in effect, we facilitate a write-down if there is a residual amount after we do the calculations, the bank does not currently allow write-downs. However, we are readjusting the customer balance back to what it should be. Customers could still be in arrears and difficult circumstances and there is a process through which the bank has to work-----

Senator Paddy Burke: The loans could be still non-performing.

Mr. Paul Stanley: Yes, the loans could be still non-performing.

Senator Paddy Burke: But Mr. Stanley is saying that, allowing for what the Commissioner said here this morning, there may be no individual write-down.

Mr. Paul Stanley: There are several solutions in order to get to the level the ECB wishes to reach, including write-downs, asset sales, working out the situation with the customer and other

forbearance solutions. It is a combination of factors. I cannot say yes or no to any specific case.

Chairman: I have been listening carefully to the responses of Mr. Stanley and Ms Arnett and reflecting on the lead up to this meeting and the language used in Mr. Stanley's opening statement. At one point prior to the meeting I was willing to accept that Mr. Mallon would not be here. Every business goes through changes and Ulster Bank is no exception to that. I have seen change in businesses. However, having reflected on that and the fact that, according to the witnesses, Mr. Mallon is working out six months' notice, Ulster Bank has a brass neck like no other I have seen because Mr. Stanley and Ms Arnett have put an opening statement before us this morning that would lead members to believe that Ulster Bank is putting the customer first. We have a moral obligation to be fair and to put things right as quickly as possible when we get it wrong. However, Mr. Mallon did not turn up here this morning but has a number of months yet to serve in the bank, which reflects very badly on it. Ulster Bank tried to get a different date for this meeting, in spite of other banks also being in a closed period, which is nothing short of obstruction of the process of the committee and our examination of the affairs of Ulster Bank in the context of tracker mortgages. The scant information that has been put before the committee today is a further example of almost an unwillingness to understand the scale of the difficulties it has created for people.

The witnesses could spend the day dealing with statistics and so on but I am going to look at facts. For seven years, Ulster Bank contested every case with Padraic Kissane and it learned nothing in that time. I will take the witnesses to correspondence from Ulster Bank customers, as referred to by other members. The committee is defending Ulster Bank customers but Mr. Stanley and Ms Arnett should be doing so as that is their job. All they are doing is playing with words and I do not accept half of what they say. We have received correspondence from a lady who was reinstated on her tracker in January 2016 and, to date, has not received a letter about redress. Before Christmas, she telephoned Ulster Bank to find out when she could expect to be repaid the money it wrongfully took from her. She was told it could not give her information and that nobody could tell her when that might happen but that it would be addressed in the second quarter. She had to pay considerable fees for various advice to deal with Ulster Bank in the earlier stages of her efforts to get what was rightfully hers. She will probably have spent between €6,000 and €8,000 on advice by the time the process concludes. Will Ulster Bank refund her that money?

Mr. Paul Stanley: Does the Chairman wish me to answer that specific question or does he want-----

Chairman: I ask Mr. Stanley to answer that question. Will Ulster Bank refund that €6,000 to €8,000 to that woman?

Mr. Paul Stanley: There is a tiered level of refund for independent advice-----

Chairman: I have asked a specific question: will Ulster Bank refund to that woman the thousands of euro she had to spend on advice? It is a yes or no answer.

Mr. Paul Stanley: One of two things will happen. We will consider the independent advice that is raised and if she is not happy with how we deal with that, she has the option of going to the appeals panel.

Chairman: That does not marry with the following section of Mr. Stanley's opening statement which states, "We believe we have a moral obligation to be fair and to put things right as

quickly as possible”.

Mr. Paul Stanley: We will refund the fees if they are evidenced and reasonable.

Chairman: Great.

Mr. Paul Stanley: If the Chairman sends me the details of that case, I will be happy to look into it, as we have on other issues raised by the committee.

Chairman: As regards giving details to the witnesses, I previously met Ms Arnett and gave her details. If she is the figure for change, she is not making a great job of it because she told me she would contact those customers immediately, but did not do so. As of yesterday, she had not done so. Customers are still waiting to be contacted, as indicated in the first letter I read out, while this letter, written yesterday, indicates that Ms Arnett has not contacted the individuals whom I was told she would contact. She gave that commitment. The person who wrote that letter was written to in November 2017 in regard to his or her tracker loans, one of which has been offloaded to a vulture fund. I asked for immediate intervention in that regard because it was unfair and wrong. The vulture fund has since attempted to enter the building, change locks and cause nothing but distress for the people involved. I do not know how Mr. Stanley and Ms Arnett can sit there, knowing this has happened, and say what they have about their customers. When Ulster Bank wrote to the customer it disclosed information on at least half a dozen other customers not associated with this. Mr. Stanley was asked about data protection earlier. This is a data protection issue, it is obviously a customer issue and is an issue in which I asked the bank to intervene. It is still ongoing. The bank is still giving no relief whatsoever to the individuals concerned.

Senator Horkan referred to questions to do with switchers. Deputy Jack Chambers and other Deputies have written to the committee because they are also receiving correspondence. They are asking the same questions. Ulster Bank switcher customers have not even received the courtesy of having it confirmed they are impacted and will be dealt with in due course. The witnesses might take note of some of these issues as we go through them because I will ask for an answer on each and every one of them.

In another letter from a customer, the person says the terms and conditions within the contract to the effect that the tracker was for the life of the mortgage have now been changed. This person's money has been returned, which amounted to almost a year's net wages plus a small amount for compensation. The terms of the contract have been changed to favour the bank. Will the witnesses explain this to us? It raises questions about switchers.

These are just a tiny sample from the volume of correspondence we have received. Will customers be refunded for overpayments during the time they were with AIB? This involves another bank and Ulster Bank. Another customer was waiting 17 months for the bank to rectify a situation and, having notified the bank of the person's personal, health and financial situation on 26 November 2017, as well as receiving confirmation from the bank at a further meeting on 7 December 2017 that the customer would be treated as a priority, the customer had to write emails to us on 26 January because the bank did not respond.

None of what the witnesses are saying adds up in the context of a batch of emails I have received about how the bank is treating its customers. I want to ask about First Active tracker customers. Will the witnesses answer these questions?

Ms Elizabeth Arnett: I will begin. I will make reference to the first comments made by the

Chairman on scant disregard for the workings of the House. That certainly is not the position we take in any way, shape or form. With respect to the constraints we feel are on us during a closed period, I raised those matters with the committee before Christmas. Mr. Mallon's resignation came last week and we were unaware it was coming. We were looking for a three-week deferment of our appearance in order that we would be out of the closed period to allow for a discussion on other topics. I note the Chairman questioned our bona fides in this respect and this instructs us that we have a long way to go before we will build trust with the Chairman and the committee. We will certainly work to do this.

On the individual customers to whom the Chairman made reference, I apologise because my understanding was we had resolved those issues. I contacted the Chairman's office this week to make sure I had followed up on everything. That is my fault entirely and I apologise for it. I will look into it. I can only apologise for my own failing in respect of that.

Chairman: I am only giving examples out of quite a number of emails.

Ms Elizabeth Arnett: Yes.

Chairman: While I may be addressing one particular email, I am telling the witnesses there is a significant number of emails that tell the same tale. Otherwise I would not raise it here.

Ms Elizabeth Arnett: I understand that but I am concerned that the Chairman has given me details and I have not acted on them. I am apologising specifically for this because my understanding was that I had acted on all of the information.

Chairman: I am saying, as an extension of this, Ulster Bank should apologise to the customers who have not been contacted and who, for health and other reasons, contacted the bank and got an assurance they would be given priority but still have not had contact from the bank. What is happening in the bank? What is happening that all of these questions are still being raised legitimately by a considerable number of people, in spite of what the witnesses are saying here this morning?

Mr. Paul Stanley: I will take some of the other items the Chairman has raised. The terms of the contract changing was one of the points he raised.

Chairman: Yes.

Mr. Paul Stanley: That may well be what Deputy Doherty raised previously when I was before the committee. We responded on that to the committee. The Chairman might send that particular one on. I am not sure whether that is the term to which he is referring.

Chairman: Has the bank changed the contract?

Mr. Paul Stanley: Yes, because what has happened is - going back to what I described earlier - customers are being consolidated onto just two mortgage systems. Those mortgage systems have been in existence for more than ten years and there is a standard set of contracts that go with the system, and when people have been migrated across to those systems they have defaulted, in effect, to that contract. I am not sure whether this is the term, but there is a *force majeure* in there that Deputy Doherty has raised previously with me. I have had a look at it. It is standard to that particular system. It has been in existence for quite a period. I understand we highlighted it to customers when we made the change. I am not sure whether that is the term to which the Chairman is referring but yes, in answer to his question, there was that change.

Chairman: This person writes to say, with regard to the fixed rate agreement for the Ulster Bank home loan, that the original mortgage contract referred very plainly in section 2 to the Ulster Bank home loan rate as the ECB rate plus 0.85% for the life of the mortgage. This was also provided for by the bank official at the time. It goes on to talk about-----

Mr. Paul Stanley: That is a different matter.

Chairman: Yes, that is a different matter. It goes on to talk about the changes that were made in the contract itself. The offer to return the mortgage to Ulster Bank at the original ECB rate was happily accepted, but the terms and conditions in the contract, for example that the tracker was for the life of the mortgage, have been changed.

Mr. Paul Stanley: I ask the Chairman to let me have a look at that example. I understood it to be another issue that I had previously discussed with the committee.

Chairman: We will give this to Mr. Stanley.

Mr. Paul Stanley: I thank the Chairman. The Chairman asked about the overpayment to AIB. I responded to a previous question from Deputy McGrath. If the question is, with regard to customers who went to AIB but were not on a tracker with AIB and had been on a tracker with us and they were impacted, whether we would refund them the difference between whatever rate they were on in AIB and should have been on from a tracker perspective, the answer is "yes". Was that the question?

Chairman: Yes. What about the switchers? Was that the full answer?

Mr. Paul Stanley: The answer to the switchers is probably what I went through earlier. We have still to contact approximately 500 customers. Some of them are switchers but not all. The intention is to contact them over the coming weeks and there is a residual 100 customers with whom we have a challenge in contacting.

Chairman: What about First Active?

Mr. Paul Stanley: The Chairman mentioned First Active but I did not get it as a question.

Chairman: Is there a customer base there?

Mr. Paul Stanley: Sorry?

Chairman: I ask Mr. Stanley to address the First Active customer base.

Mr. Paul Stanley: I do not understand what-----

Chairman: Are there trackers there?

Mr. Paul Stanley: There are trackers there. There are First Active trackers. I answered this question earlier also. They are part of the 3,500 impacted, if that is the question.

Chairman: Have they been notified?

Mr. Paul Stanley: If they have been impacted, then yes they have. I am very cautious because we still need to conclude with the Central Bank, and potentially there are customers with whom we have not been in correspondence who could be impacted. Some of them could be First Active customers.

Chairman: A question was raised by Senator Paddy Burke on the earlier meeting with the Vice-President of the European Commission. The note Senator Burke referred to was on encouraging and continuing a more durable reduction in non-performing loans through resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears. That is what Senator Paddy Burke was referring to. Again, in the context of that meeting, we spoke to the Vice-President about the number of loans that have been sold already to vulture funds, and banks using vulture funds to reduce their non-performing loans. I again express our concerns to the witnesses that these vulture funds, as in the case I mentioned to Ms Arnett, behave in a way that would lead one to believe there was no law and order in this country. It is disgraceful what they have got away with, particularly on our side of it in terms of their transparency and accountability to the Houses of the Oireachtas.

In terms of their business dealings and treatment of customers, the vulture funds have completely ignored the fact that they have an obligation to honour-----

Mr. Paul Stanley: The code.

Chairman: -----the code on the treatment of customers-----

Mr. Paul Stanley: Correct.

Chairman: -----as the loans go on.

Mr. Paul Stanley: Yes.

Chairman: I want the bank, as it sells the loans, to ensure that does not happen. I have given an example already in terms of the case concerning the individual who wrote to us.

All of this brings me to the global restructuring group, GRG, and I know Mr. Stanley may not wish to comment. Of all of the banks to have come before the committee, Ulster Bank has offered the excuse of the closed period more than any other bank when answering questions. Fair enough, Ulster Bank has adopted that stance. Earlier this week, Mr. Stanley's RBS boss somewhat acknowledged that the global restructuring unit did not treat customers fairly, while being grilled by a committee in the UK. This is an overview of what he said but that seems to have been the case. We have heard from a number of customers who have been involved with the global restructuring group. Arising from Mr. McEwan's comments at the UK committee hearing, is it within the remit of Ulster Bank here in Dublin to state at the very least that something seems to have gone wrong and it will conduct an inquiry into the customer base that may have been affected here in Ireland? Can Ulster Bank here make that decision?

Mr. Paul Stanley: We have gone through one process for complex fees of which the committee is aware.

Chairman: Yes.

Mr. Paul Stanley: As the committee will be aware, the level is relatively small in that regard in comparison with RBS in terms of numbers and, indeed, in terms of settlement.

In terms of GRG in Ireland versus the UK, the difficult customer base and the distressed customer base are very different. I am sure the committee is aware, and we have said it before that the vast majority of what GRG then had in Ireland comprised a large property element rather than an ongoing trading cashflow business element. Everybody in the room here is well aware of what happened in the property sector in Ireland and how stressed those loans became.

For the most part we put on-----

Chairman: We are also aware of what happened in the banks and how distressed the banks became.

Mr. Paul Stanley: Yes. Most of the GRG loans were put for a period into forbearance arrangements to see whether there was a potential to work out. We were quite clear at our previous meeting that our success in that regard was limited. In effect, only 100 recovered, which is the number we gave the committee before, in terms of the population that went in there. A large amount of the 2,100 customers who went in initially were sold on as part of the process. To date, our investigation has been on one area, as part of the RBS umbrella, which was around the complex fees element.

In terms of any further investigation, that would be a discussion with the parent bank as to what it is doing and, indeed, what is appropriate.

Chairman: Does Ulster Bank have to go to it?

Mr. Paul Stanley: We would have to have that discussion with it, Chair.

Chairman: I ask Mr. Stanley to quote part of his statement from this morning to the parent bank.

Mr. Paul Stanley: Yes.

Chairman: I refer to when Mr. Stanley said: "We believe we have a moral obligation to be fair and to put things right as quickly as possible when it goes wrong."

Mr. Paul Stanley: Yes, Chairman.

Chairman: In the light of all of this new information that has come out-----

Mr. Paul Stanley: Yes.

Chairman: -----from different banks and the Ulster Bank-----

Mr. Paul Stanley: Yes.

Chairman: -----with regard to customers, Mr. Stanley might very well go back and say Ulster Bank should reopen and take a fresh look at this matter because it is now customer-friendly, its staff are cuddly people and would like to make sure everybody is okay. That stance also might be a start in rebuilding trust with the SME sector. I ask Mr. Stanley to come back to us on that matter.

Mr. Paul Stanley: Yes,

Chairman: Mr. Mallon was mentioned this morning for his non-attendance. We are quite happy to accommodate him if he wants the right to reply and to come before the committee. I ask Mr. Stanley to pass on our invitation.

Deputy Pearse Doherty: I want to pick up on the point the Chair raised about GRG. It is quite a while since I wrote to the Central Bank asking it to initiate an investigation into Ulster Bank on its handling of GRG, West Register and all the other issues we have raised. The momentum has increased as a result of what has been uncovered through a lot of campaigning in

Britain. I have followed the matter quite closely. Some of the internal documentation that the Ulster Bank's parent group had is absolutely disgusting-----

Mr. Paul Stanley: I agree.

Deputy Pearse Doherty: To think that this is the way that bankers behaved----

Mr. Paul Stanley: Yes, I would agree.

Deputy Pearse Doherty: -----it is appalling. A long time ago this committee tried to ascertain the accurate number of businesses affected. Many of the business owners have told me that they felt like they were on death row. As many as 2,141-----

Mr. Paul Stanley: Yes.

Deputy Pearse Doherty: -----Irish SMEs went onto death row or into GRG. We still have not got accurate information as to how many companies survived. Some claim that the number of companies is as low as six and Ulster Bank has said that it is no more than 100.

Mr. Paul Stanley: Yes.

Deputy Pearse Doherty: Is there information or must we still deal with vagueness? I understand that the Central Bank has engaged with the Ulster Bank. Has the Central Bank engaged with the Ulster Bank on its GRG activities in this State?

Mr. Paul Stanley: In terms of numbers, the Deputy has largely quoted the figures that I have here. There were 2,100 businesses in GRG; we sold 1,850 and of the 2,100, 100 Ulster Bank customers recovered fully and in their time with us, 150 of the 2,100 went out of business.

Deputy Pearse Doherty: How many businesses survived?

Mr. Paul Stanley: I can only speak about the customers who are still with us and operating.

Deputy Pearse Doherty: Yes.

Mr. Paul Stanley: Some may have, in working out with the purchasers, survived. I do not have that number.

Deputy Pearse Doherty: Of the customers Mr. Stanley knows about, 100 survived.

Mr. Paul Stanley: Yes, and we have shared that figure of 100 with the committee before.

The Deputy asked about the Central Bank. We have received correspondence. I do not believe that it is just Ulster Bank, particularly in terms of SME pricing, and we are following up on that. That is the latest from the Central Bank.

Deputy Pearse Doherty: In terms of the internal documentation that has come into the public domain, Mr. Stanley may want to take this opportunity to recant and apologise for the approach taken by the Ulster Bank and its parent company. How could bankers talk about businesses and customers in that way?

Mr. Paul Stanley: I agree with the point made that some of that correspondence is shocking. That is all I can say about it.

Deputy Pearse Doherty: Some of this documentation was not correspondence but was an

operational manual.

Mr. Paul Stanley: Yes. To the best of my knowledge that documentation related to the GRG business in the UK. I have not seen similar instances in the Republic.

Deputy Pearse Doherty: The model used here in Ireland was a mirror image of what was used by GRG in the UK, including the companies that were set up.

Mr. Paul Stanley: The customer base, and I suppose the distressed level of that customer base and its ability to pay anything extra or more, was very different between the UK and Ireland.

Deputy Pearse Doherty: What was the difference in approach here outside of the Central Bank? The committee has raised this issue and will continue to do so. Last year, I raised it with the Taoiseach and called on everyone to get to grips with this matter because it is the new tracker mortgage scandal. These businesses had numerous employees and the potential to deliver for the economy. Some may have gone out of business but not at the scale at which they went. There was obviously an orchestrated default. A company was set up that benefited from this. We talk about vulture funds. The bank was the vulture to its own customers. It orchestrated defaults and picked from the carcasses of those who lost.

Mr. Paul Stanley: I would not accept that point. I think the Deputy is going back to the West Register point that he raised before. Some 15 properties went into that. The Deputy might look into the accounts of that company. They show that the business made a profit. If the Deputy looks at what those properties were valued at when they were taken by the bank, they went at written-down value when they went to West Register. The bank had already taken a loss on those. I do not accept that the bank made wholesale profits on those activities.

Deputy Pearse Doherty: There was not just the issue with West Register. The bank orchestrated defaults in companies and then recovered their assets.

Mr. Paul Stanley: When the Deputy looks at what we did with customers, the vast majority were sold rather than us going after and recovering the assets.

Deputy Pearse Doherty: Will Ulster Bank take a proactive approach or will we have to do what we did with the tracker mortgage scandal again? Will the committee, the Government and the Central Bank have to do a pincer movement on Ulster Bank or will Ulster Bank learn the lesson and carry out its own investigation? The Financial Conduct Authority, FCA, will publish its report. The pressure is coming on. I would argue that the game is up. If Mr. Stanley genuinely wants to restore confidence in Ulster Bank, having been tipped as being the CEO in-waiting last time and missing out, this could be his turn. I am sure Mr. Stanley does not want this hanging over him if he is in the top job.

Mr. Paul Stanley: With regard to small and medium enterprises, SMEs, we will gauge what is coming from the Central Bank at the moment. Part of the challenge of coming in here on this date before year end is that we could have talked about that a little more fully later. Maybe we can pick up again after year end results. I am a little conflicted about having the detail of the discussion today. Based on what has happened with the parent and the focus, both internally and from the Central Bank, it is a sector which we are looking at with regard to what has happened in our book.

Deputy Pearse Doherty: Going back to the tracker mortgage issue, we unfortunately can-

not raise all of the individual concerns raised with us. I apologise to everybody who has contacted us with regard to this but we would be here for the next week if we did that. I will ask Mr. Stanley about a case where an individual took out a tracker mortgage and, when the European Central Bank, ECB, interest rate increased, that person's rate increased. However, when the ECB reduced its rates, Ulster Bank wrote to the customer to say that the new minimum monthly payment was a certain amount but as the customer was already due to pay more than that, the bank had not made any changes to the amount it collected from the person's bank account. That effectively meant that the bank held the interest rate at a higher level which obviously shortened the term of the mortgage but did not reduce in line with the ECB's reduction. This customer wrote to the bank to instruct it that only the minimum amount should be deducted but the letter was ignored. Was this common practice within the bank, that when the ECB's rate reduced, it did not automatically involve a reduction in the tracker mortgage customer's account? This individual was aware of his rights even though the bank did not afford him his rights when he asked for the rate to be reduced because the payment would still be above the minimum. Was this policy within the bank? Has Mr. Stanley come across this?

Mr. Paul Stanley: If the Deputy wants to send me the details of that, I am happy to follow it up. The norm in the bank is that the payment should reduce in line with the change of interest rates. The Deputy probably does not know the circumstances of the customer. Was that customer in arrears or otherwise? That could be a possible reason but I do not know without looking at the detail. The norm should be that as interest rates go up or down, the payment levels should change accordingly. It may be a case that communications come from the bank to offer the customer the option to keep repayment levels at a higher level to pay down earlier but that should be the customer's option, not the bank's.

Deputy Pearse Doherty: I had a direct quote here. I will ask the customer about the matter. He has already written to the bank.

Mr. Paul Stanley: I am happy to follow it up if the Deputy sends me the details.

Deputy Pearse Doherty: I ask Mr. Stanley to inquire about this, even outside the matter of the individual customer. We go back to individual customers who have raised this matter. They also believe that the bank will come down hard on them in the future.

Mr. Paul Stanley: As the Deputy has articulated to me, that is a perfectly reasonable request on the part of the customer. Payment levels should change as rates change.

Deputy Pearse Doherty: Will Mr. Stanley come back to the committee and indicate whether this has happened and has been an issue with more than one person?

Mr. Paul Stanley: Yes. No problem.

Deputy Pearse Doherty: I will go back to what Senator Conway-Walsh raised with regard to the subject access request, SAR. I have had much correspondence about this. It relates to customers' own documentation. The bank has a 40 day SAR deadline for customers. I will give a snippet of one email, which states that the customer requested details through a SAR on a certain date and was told 40 days later, after chasing it, that the bank could not fulfil the request as the customer was on a tracker mortgage and had to call the tracker team in Dublin. The customer sent back the €6.35 with a letter called a tracker closure letter and a number to ring that did not work. The tracker team in Dublin said the customer's account was included in the Central Bank review but advised that it was the SAR team's responsibility to get the data to

the customer. The customer made numerous calls, week after week, to the UK SAR team, the tracker mortgage examination, TME, team, the complaints team and the mortgage operations team. They all promised to help the customer but no one has. The customer received a letter offering a small sum of money but does not want this, rather when his or her data will be received.

Mr. Paul Stanley: I was not aware of that. We will follow that up. Customers are entitled to their data.

Deputy Pearse Doherty: That is not a unique occurrence.

Mr. Paul Stanley: That is an absolutely unsatisfactory and frustrating process for a customer, to be bounced around.

Deputy Pearse Doherty: It is. The bank has a legal responsibility to provide the data. Going back to my earlier point, I believe the bank is in breach of the law, not just on issues with data but probably on more serious issues. There are other emails but the language is quite unparliamentary so I may refrain from reading some of those out. It comes out from that frustration which that individual has talked about, being sent from pillar to post and so on. One of the customers who came before the committee was an Ulster Bank customer. Did the bank ever meet with that customer?

Ms Elizabeth Arnett: Yes-----

Deputy Pearse Doherty: Has the bank sat down and had meetings with some of the customers?

Ms Elizabeth Arnett: If I am thinking about the customer the Deputy is referring to, I could say yes, but we might be thinking about different people so we might check the name, if that is okay.

Senator Rose Conway-Walsh: Before we leave, I want to get clear in my mind the exact timeline for the bank concluding all of this and a reassurance about the bank's ability to complete this on time. There are 3,500 affected customers, some 2,500 of whom have been returned to the correct tracker rate. When will the others be returned?

Mr. Paul Stanley: The other 1,000 are redeemed or have gone to another institution.

Senator Rose Conway-Walsh: So every-----

Mr. Paul Stanley: Everybody who is still a customer of ours is now on a correct tracker rate.

Senator Rose Conway-Walsh: When will the other timeline, to the end of March, be completed?

Mr. Paul Stanley: If the Senator is referring to all 3,500, the end of June is the date for completion. We will have got to 2,500 by the end of March.

Senator Rose Conway-Walsh: Some 2,500 by the end of March and 3,500 by the end of June. By then, everybody will have received a level of compensation and redress.

Mr. Paul Stanley: They will have received compensation or remediation in accordance with what we set out for it. The one caveat, as I have said, is that as we conclude the phase 2 negotiations with the Central Bank, we need to plan out when our compensation and remediation

tion of whatever incremental numbers come on will take place.

Senator Rose Conway-Walsh: Will those be concluded by the end of-----

Mr. Paul Stanley: I said earlier that until I see the numbers and the detail I cannot commit to saying it will be the end of June. I would like to but I cannot commit to that until we conclude on the volume and numbers.

Senator Rose Conway-Walsh: People still getting the repeated letters really do not know at this stage.

Mr. Paul Stanley: We should within the next number of weeks conclude with the Central Bank. Then we will know who was impacted or not impacted. We should be able to be in a position to confirm to customers whether they are impacted. The repeated letters are being driven by us not having concluded phase two with the Central Bank.

Senator Rose Conway-Walsh: That is the exact same answer the witness gave me the last time here, a year ago. I went back to the customers and said they would be contacted and know where they stood, at the very latest, within six weeks. That did not happen.

The witness indicates that if a customer requests a meeting, the bank will engage with the person and make the necessary arrangements to suit the customer. Is he giving that commitment today? Will he reiterate it? If somebody asks for a meeting with the bank, it will engage with the customer.

Mr. Paul Stanley: Absolutely.

Senator Rose Conway-Walsh: Is there a timeline for that meeting?

Ms Elizabeth Arnett: It would be as soon as the customer wants it. That is the standard we endeavour to meet, especially for customers particularly impacted by the tracker mortgage examination. As we said, for customers who have lost their homes we would assign an individual who would work with them through the entire process. They would have an individual case handler whom they could meet whenever they need to. We get requests from customers all the time for meetings and we endeavour to meet those requests as soon as possible.

Senator Rose Conway-Walsh: If the people who do not know if they are in or out and who keep getting repeated letters request a meeting, the bank's representatives will meet them.

Ms Elizabeth Arnett: Yes. It is important to emphasise the point. We look at customer communication and listen to calls and much frustration comes from a lack of certainty. We have exacerbated that position by not being able to give customers certainty in terms of when they will know and get paid. As soon as we are through the phase two process, we will be able to very clearly say to customers whether they are impacted or not. We can only confirm the 3,500 impacted and we cannot confirm the non-impacted until we are through the phase two process. As soon as we are, will be in a position to confirm that.

Senator Rose Conway-Walsh: Is the witness saying the bank's representatives will not meet those customers yet? These are the people who absolutely know they are to be included and charged the wrong rates.

Ms Elizabeth Arnett: Are these people who do not know they are not included?

Senator Rose Conway-Walsh: No, they know they are affected and have sought confirmation from the bank but two years later they are getting repeated letters. Will the bank's representatives meet those customers?

Ms Elizabeth Arnett: Yes.

Senator Rose Conway-Walsh: I thank the witness. I am really concerned about the levels of compensation relative to the other banks. Bank of Ireland has told us the average rate for those denied a tracker is 20% and AIB gave us figures as well around 20% for those with a private dwelling home mortgage no longer on a tracker, or 23% for those on the higher margin. The witnesses have said the compensation will be a maximum of 20%.

Mr. Paul Stanley: On private dwelling homes, the rate runs from 12% if the customer has never been in arrears or financial difficulty. If impacted customers were previously in arrears, it is 13.5%. Likewise, with customers in financial difficulty and entering the process of restructuring arrangements, it is 13.5%. If the impacted customers have previously engaged with us in legal proceedings, it goes to 15.5% and for impacted customers who have lost ownership of their property, it is bespoke and it is €50,000.

Senator Rose Conway-Walsh: Is the maximum 20%?

Mr. Paul Stanley: It is 20% for private dwelling home mortgages and 12.5% on buy-to-lets.

Senator Rose Conway-Walsh: So 20% is the maximum as it stands.

Mr. Paul Stanley: Yes.

Senator Rose Conway-Walsh: The bank can expect very many appeals. When is it expected that the two legal cases will be concluded?

Mr. Paul Stanley: As I said, I really need to have a look at those in more detail. We have received initial representations and I cannot give a time as to when I expect them to be concluded.

Senator Rose Conway-Walsh: It is unacceptable that the bank's level is a maximum of 20% while the rates of compensation from other banks are more than that. It is something I am sure the Central Bank will look at that.

Mr. Paul Stanley: To be clear, the Central Bank has seen our compensation levels and noted them. It is not a case that we have unilaterally applied them.

Senator Rose Conway-Walsh: Is it satisfied with those levels?

Mr. Paul Stanley: It has noted our compensation levels.

Senator Rose Conway-Walsh: Did it indicate it was satisfied with it?

Mr. Paul Stanley: It noted the compensation levels.

Senator Gerry Horkan: Will the witnesses confirm that when the figure is agreed with the Central Bank on the second batch, whether it is 3,500 or 50, it will be supplied to us on that day? We will then know how many more impacted customers there are. It would be good if Ulster Bank representatives were back sooner rather than later to discuss all the matters we could not raise today. Perhaps that could happen after the first quarter, when many more payments are made.

1 FEBRUARY 2018

Chairman: I find it strange that the engagement with Mr. Kissane went on for so many years but alarm bells did not go off in the bank.

Mr. Paul Stanley: We are engaged with Mr. Kissane in a proactive way. The committee may or may not be aware of it.

Chairman: When a customer has been put on a lower rate than what he or she should have due to error, is there a discussion with the customer before the rate is increased to what it should be?

Mr. Paul Stanley: We should absolutely be doing that. We should be advising people before making a change.

Chairman: I know the bank advises before a change is made. If the bank made the error in the first place and is putting a customer on an increased rate, it should ensure it talks to such customers to ensure the extra payment will not cause any hardship.

Mr. Paul Stanley: Yes.

Chairman: I thank the witnesses for attending.

The joint committee adjourned at 1.10 p.m. until 4 p.m. on Tuesday, 6 February 2018.