



Northern Ireland
Assembly

**CONCURRENT MEETING OF THE
COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT
AND THE COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

Finance Issues

22 September 2010

NORTHERN IRELAND ASSEMBLY

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ENTERPRISE, TRADE AND INVESTMENT
AND THE COMMITTEE
FOR FINANCE AND PERSONNEL

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)
Mr Leslie Cree
Dr Stephen Farry
Mr Paul Frew
Mr Paul Givan
Mr Paul Girvan
Mr Simon Hamilton
Ms Jennifer McCann
Dr Alasdair McDonnell
Mrs Claire McGill
Mr Gerry McHugh
Mr Daithí McKay
Mr Mitchel McLaughlin
Mr David McNarry
Mr Declan O'Loan

Witnesses:

Father Tim Bartlett)	Advisor to Cardinal Brady
Reverend Donald Ker)	Secretary to the Methodist Church in Ireland
Reverend John McDowell)	Honorary Secretary to Church of Ireland Synod

The Chairperson (Mr A Maginness):

I welcome Father Tim Bartlett, the Reverend Donald Ker and the Reverend John McDowell to

this joint Committee meeting. The Moderator of the General Assembly of the Presbyterian Church in Ireland is unavailable today because of other duties and has sent his apologies.

The witnesses have previously made a statement to the joint Committee during an informal sitting; therefore, I propose that we move straight into questions. However, before I do so, I remind members that the statement from the Church leaders and papers relating to it are in members' packs. I note those and will allow them to be published on the Assembly website.

I am happy to open the questioning to members. As there are a number of members around the table, I ask that their questions are as succinct as possible to allow us to carry out our business. We want to hear answers rather than questions.

Mr O'Loan:

I welcome the representatives of the main Churches and congratulate the main Church leaders on the initiative that they have taken in this matter. I understand fully why, on compassionate and pastoral grounds, you have expressed concerns about the way the banking system works. However, you went further than that, and said that you have strong moral and ethical concerns. That is remarkable language, and you appear to be saying that you regard current banking practice as being morally and ethically questionable. Why do you think that that is the case and what alterations need to be made to banking conduct to address that situation?

Reverend Donald Ker (Methodist Church in Ireland):

I thank the Chairperson and members of the joint Committee for giving us the opportunity to meet with the Committee and have this conversation. Anything that we said in our statement came from the exercise of listening that we undertook; and, as we listened, we heard of behaviours that seemed to us to lack integrity and not to treat those who were involved in business in a fair or equitable manner. It would be invidious of me to go into fine detail on that. However, a moral issue arises when the power that banks inevitably have in a relationship with any particular firm is not used properly and when, even though a business is meeting its covenanted obligations with the bank, the bank nevertheless puts an undue pressure on it.

Father Tim Bartlett (Adviser to Cardinal Brady):

The Christian tradition has a fundamental concern about how our economy is focused and wants to ensure that it serves people and society. Banks are vital to the effectiveness and efficiency of

the economy, and the legitimate pursuit of profit in a free market economy is important. However, as Reverend Ker said, the matter first came to our attention as a pastoral concern, including, as I mentioned at the last meeting, the tragedy of people taking their own lives on the back of immense stress and pressure. The themes that constantly emerged were experiences of an abuse of an imbalance of power between banks and their customers and maybe between banks and the rest of society. As I said earlier, I quietly worry whether I or members of my family circle might suffer, in the long grass and in the minds and memories of banks, as a consequence of raising those issues here. That is evidence of the lack of trust and of the culture of fear that is around.

We took the trouble to meet with the banks and give them a fair hearing, as the Committee is doing today. I repeat what I said earlier: we are not here to have a go at the banks. I was impressed by their sincerity and their commitment to integrity. Our point is that in any relationship where there is a potential imbalance of power, it is important that we are all held to account to ensure that the standards that we say we are working by are, in fact, the standards that we are living by. Of course, that is by no means exclusive to banks. One question that arose in our minds was: what is the mechanism, particularly in Northern Ireland, for ensuring that the banks' commitment is honoured in the interests of the common good and the good of individuals?

The moral basis — and forgive for me mentioning it but I think that it is relevant — arises from the Christian point of view not least from the parable of the two debtors in the scriptures. A slave who owes the king an immense amount of money cannot pay it back. He pleads with the king for patience and mercy, and the king relieves him of the complete debt. The slave immediately goes out, grabs someone by the throat who owes him only 100 denarii, and has him thrown into jail until he pays the very last penny. It is interesting to me, as a Christian pastor, that in the Bible, Jesus tells a story about that type of potential imbalance in relationship and action.

The situation today is morally different from any previous scenario because the banks themselves, as failed or struggling businesses, and they are all in different positions in that regard, received enormous and benevolent support from the public. There is a moral issue in the public's interest to ensure that banks continue to serve the legitimate pursuit of profit, but in the interests of the person, society and the common good. We are here to ensure that that moral balance is in place. We are hearing evidence in our listening exercise that that may not be the case in every case or to a substantial degree. It is up to the banks to clarify that to us all.

Reverend John McDowell (Church of Ireland General Synod):

There is perhaps an impression that Churches deal in things that are not of this world, but the economic flourishing of society is part of the moral issue. Indeed, economics began as a subset of ethics, and deals with human relationships. In that sense, the Churches are very involved. That is not to say that we are experts in banking, but we are people who go into the houses of businessmen and workers every day of every week of every year and listen to their stories. Over the past while, we have heard a lot of harrowing stories from people of integrity and people whom we trust, and they feel that their views cannot be reflected because they are so fearful that the difficult position that they are in will be made even more difficult, and we feel that we must assist.

The Chairperson:

Essentially, then, this arises out of pastoral care and concerns.

Fr Bartlett:

It arises out of pastoral experience.

The Chairperson:

I ask colleagues to be as succinct as possible when asking questions.

Mr McNarry:

You are very welcome, gentlemen. I welcome and support your being here and in bringing these issues into the political arena. What does concern me is that, on the one hand you are saying that you are not here to have a go at the banks, but I have not really noticed that. I think that you are casting very vivid aspersions on them. Some of the things you have said have been duffing them up; and it will be our turn after lunch. I am not expert enough to get into the morality of this issue, because I am not convinced that the morality that you seek, which is probably the best of all types, exists in business anyhow, particularly where money is involved.

I am sorry that the moderator is not here, because I might remind him about the morality over the Presbyterian Mutual Society and where that is going to end up. I am quite disturbed by your presentation, particularly when you said that people have taken their lives over the loss of bank support. That is such a major statement to cope with. You said that lives have been lost over the

loss of bank support. How have you reached that conclusion? Has it been because their businesses have nosedived to the point of no return?

I think that you have made valid points about the stresses and strains felt by businessmen that you have come across? Those stores are no different to what I find with local businessmen who have contacted me from all over Northern Ireland. I share their feelings. However, at what point are you pitching this issue? Are you saying that people have lost their lives because of the behaviour of banks? I need to know that in order to be able to interpret it when we talk to the banks later. You also said that you hoped that this would be a vehicle to let the public know and that you would encourage that to happen, yet you say that it would be invidious to go into fine detail. You will not name the banks; but you should name them, otherwise you are casting all of them into the same trough.

The Chairperson:

We will leave it there. I invite an answer to the question.

Rev Ker:

First, it would be easy to “bank bash”, if I may use that term. A lot of that is going on in this society, but that is not what we are about. Secondly, as we have listened to representatives of the four banks who have spoken to us since the June statement, we are aware that each of the banks is in a different situation and that their approaches to their customers differ in certain ways. However, for the most part as we have listened, particular banks have not been named to us. As those who have listened and who are simply passing on the message that we have heard, it is also important that we, of necessity, talk in general terms rather than in the specifics requested by Mr McNarry. I trust that the Committee understands that.

We recognise that it is a large claim to state that someone has taken his or her own life, in part, because of the way in which they were treated by the banks, and we do not recount it lightly. However, we recount it because that is what we have been told by a credible source. It has not been our responsibility to investigate that claim in tight forensic detail. Nevertheless, that is what we have heard, and, therefore, we hear it with pastoral concern and we pass it on.

Mr McNarry:

Is that why you are repeating it?

Rev Ker:

We are repeating it because we have heard it, we believe it to be credible and we believe that, out of pastoral concern, all in our society, including the Assembly, need to know the implications of the kind of decisions being taken and their impact, not least on the people involved but also on those working in the banking sector. They are also our pastoral concern.

Fr Bartlett:

I was very careful this morning, and I will be very careful again, to point out — and I want to put this on the record now as I did earlier — how struck I was by the complexity of the problems being wrestled with by the people we met from the banks, their stated commitment to good practice and their talent, commitment and professionalism. I said that they also need our encouragement, support, understanding and prayers, and that we are calling for a careful, responsible, collaborative look at whether the balance of power is working properly. That is, essentially, what we are getting at: what effect will that have on people's lives if it is not working properly? What can we do, collectively and responsibly — with the banks included — to ensure that we work together for the good of our economy and for the common good?

Mr McNarry:

How did they answer when you told them that people had taken their own lives?

Fr Bartlett:

They did not challenge it or demur from it. However, that is not to say they knew that, and we did say, in part, that it was a contributory factor. The loss of a business and the consequences of such an event bring their own stresses and strains. The particularities of somebody's situation may lead them to that fatal decision.

Ms J McCann:

I commend the witnesses for their initiative. We have heard people's very human and real stories and experiences today, so the initiative is an extremely good one.

You said that got involved in this matter because of your pastoral care for people. We are talking about how the economic situation can overlap and affect people's family and economic lives, which are intertwined. When the banks got public money, it was hoped that that money

would have cascaded down to some of the businesses through easier lending that would help the economic recovery effort.

When I talk about businesses, I also include families. Many people have had difficulties with banks over personal loans.

From what I hear and understand, it seems that banks are using the money given to them to aid economic recovery and open up lending to businesses to restore their balance sheets and rebuild their businesses. I understand that they are businesses and that they have to do that, but the pace at which they are doing it, and the hardship that they are inflicting on businesses, is remarkable. Do you see restoring balance sheets as the current main focus of the banks? They are not as interested in lending to businesses to encourage economic recovery? That is my first question.

You have set out a number of proposals, and we discussed today the proposal for a banking ombudsman. I want to tease out how you feel about that. How do you think the Committee, Assembly and Executive can take that forward? I want to hear your ideas.

Rev Ker:

I remind the Committee that the banks are in different situations with respect to the money that they have received. John will answer the first question, and Fr Tim the second.

Rev McDowell:

People are well aware that the banks have been asked to repair their balance sheets in short order. That raises suspicion in the minds of their clients in business that they are only a very small part of a much bigger picture that they cannot influence, and that there may be other factors, consciously or unconsciously, being brought to bear on lending decisions.

There is such a mismatch in the balance of power between a very strong institution like a bank and a very weak one like a business. People feel that they have no way of making their businesses or their concerns intelligible to people. They cannot put the case that they, as individual businesses, should be looked at with the same uniqueness and creativity as the Government saw in the banks when they devised a means of assisting the banks to trade in the future.

That has not been helped by the fact that businesses find it very difficult to speak to decision-makers. Most of the principal decision-makers are no longer in the local branches. Businesses find that requests for credit are being pushed to a credit committee somewhere at headquarters, which can give a very “slow no” response. If the answer is negative, people have no redress or no way of negotiating. They feel disempowered by that. They feel caught up in something so far beyond their control as banks try to repair their balance sheets and build up capital reserves. There is a credible case to be made.

Fr Bartlett:

We support the principle of an ombudsman. More widely, we think the Assembly should give creative consideration to an ombudsman and/or some other mechanism of listening and supporting the business community. Part of the value of the exercise of the four Church leaders in this area was that businesses appreciated an open ear and active support, both at the human and at the business level. The Assembly could provide some service to the business community in that regard. That might include the provision of relatively inexpensive, or even, dare I say it, free legal advice, because you heard evidence of how the cost of legal advice can further impair a struggling business.

We also need mechanisms for monitoring and reporting. Those could be realised either through an ombudsman or by some other system. What was different in our case was that we went to the businesses, listened to them, built up the evidence and reported our concerns publicly. To be frank, that was what got the reaction from the banks. There is a lesson there in that an increasingly wise and ethically responsible public deserve to have reliable information on which banks, if any, are consistently treating people badly. People need to know that when they are considering where to put their money. In a competitive market, that is a key piece of information for consumers to have about a service, which is what banks are. Therefore, it must be asked whether something can be done to facilitate that.

Finally, on the back of such evidence, the Assembly should question where it banks the money from the public sector, how it decides where that huge amount of money is banked and what direction and advice on such matters it gives to public bodies that are spending money on its behalf. Therefore, in addition to the establishment of an ombudsman, a lot more can be done. However, an ombudsman would be useful, as they could look at issues such as how the Financial Services Authority (FSA) could be introduced more strongly in Northern Ireland.

Mr Cree:

Thank you for your presentations, gentlemen. I found them interesting, I could understand them and I fully accept what was in them. You met the banks, and clearly, they are in denial. Obviously, someone has to be either wrong or partially wrong. Our experience has been similar to yours. I take Tim's point about naming and shaming, so perhaps the situation needs a bit more exposure. The legislative route will be cumbersome, but the creation of an ombudsman is a possibility.

What was your understanding when you left the meeting with the banks? Have you read the Treasury document 'Financing a Private Sector Recovery', which was out to consultation until just a couple days ago? Simply put, that document is also in denial about the situation that Northern Ireland finds itself in.

Mr McKay:

I echo what Mr Cree said, and I welcome the initiative that the Churches have taken forward. It turned a much-needed spotlight on the banks. Some of your comments will give us food for thought on what clout we have with the banks and on what we can do. How we put pressure on the banks is key, and we must try to identify some actions.

There has been much debate about morality and about how the banks lack a moral compass or a social conscience. Indeed, one of the reports from the banking focus group homed in on the culture in banks that views clients who default as bad people. That needs to be addressed. I also echo what the Chairperson said about a banking ombudsman. There needs to be more regulation and more safeguards for taxpayers to ensure that they are treated fairly and with some degree of morality.

What is the Churches' view on banking practices? Do they view the banks as institutions that are unnecessarily ruthless and that act without a social conscience? Is there more that we can do, particularly through the Committee for Enterprise, Trade and Investment, to ensure that whatever grant aid is available is given to small and medium-sized indigenous businesses? Given that many are family businesses and there is a big personal impact on those families and on the communities they serve, there needs to be more focus on and more support given to that part of the business community.

Rev Ker:

I will pick up the first question from Mr Cree, and perhaps my colleagues can pick up the second question. I do not think that it is totally fair to say that the banks were in denial as they left the meeting. I must keep stressing that we are talking with four different institutions in four different situations. I also underline that this is an ongoing conversation. We promised them that, following our conversations, we would be in contact with them with further reflections. No doubt, that will flow on. We have a Church leaders' meeting at the end of this week, and I am sure that there will be further thought on the matter there.

From the meetings that we had, our sense was that there was plain and straight talking. Our further sense was that the concerns that we brought were listened to, and we recognise that banks have many issues with which to deal. We await the outcome. However, we are concerned that the issues that we brought are real and affect people's lives and the whole economic welfare of Northern Ireland. Nevertheless, it is an ongoing conversation.

Fr Bartlett:

After all those meetings, my reaction surprised me, as it was one of sympathy for the people who are trying to manage our banks through this complex and, for them I am sure, frightening situation. That is why I want to repeat that we are not here to have a go at the banks per se. I came away with a sense that those people, as professionals, are struggling with a very complex international situation that, in part, may have been of their making in some cases, but was never, in any case, completely of their making. That is important to note. I also want to note that they have a sincere desire to try to get this matter right.

However, there is great disparity between the evidence that we heard, which you heard earlier, and their understanding of what was happening in the relationship. Part of that seemed to be that senior management seemed to think that, by having certain policies about culture, attitude and so on, those were translating into the front line. The Committee might want to explore that with the banks a little, as there was certainly some disparity.

The issues of biggest concern in my perception of banking practice are the culture/atmosphere of the relationship and the pace of recovery. With regard to culture, when listening to banks' business and private customers, our dominant experience was one of fear. In fairness, bank

leaders may not fully appreciate the level of fear that people have of them, the decisions that they can take and the power that they have over their lives. Something needs to be done internally to address that culture of fear.

With regard to the issue of pace, the Committee heard evidence this morning, which was consistent in our listening, that there was a sense that banks were working to recapitalise themselves at the cost of businesses and that they were claiming what assets and so forth they could to recover their own balance sheet without any concern for their responsibility to employers and employees. That is a broad brush explanation; the issue is much more nuanced than that, but that was the concern about pace.

Rev McDowell:

I understand that, when it comes to the crunch, the default setting for any business is to make a decision that is in the interests of your own business. However, when your business is principally also financing others' businesses, that can very easily, quite unconsciously and, perhaps, unintentionally, colour your judgement. The idea of an ombudsman or somebody who can make more objective decisions and take all things into account is very important.

Unfortunately, the culture of banking is that big decisions tend to be pushed further up the line to committees that nobody knows or meets. Banks have ceased to be part of the communities and small, provincial towns in which they function. Those are the places where they could get to know the people behind the businesses and be educated, for want of a better word, in the ways of those businesses, and it is also where they could make decisions. Therefore, it is very important that that is addressed.

The Chairperson:

I invite Mitchel McLaughlin and Gerry McHugh to ask their questions, and then I will close this session, which will be followed by a presentation from the Institute of Directors. I am going to be very firm on that. Please be as succinct as possible.

Mr McLaughlin:

Banks work within a legal and regulatory framework — mostly, I would have to say. In the context of the banking crisis, there was widespread acceptance that the regulatory frameworks had not functioned as intended, so adjustments have been made and introduced. However, the

fact that banks can lawfully change business facilities that have been negotiated and agreed between them and individual clients indicates to me that there is a difficulty with the law. In my experience, there has been an abuse of power, and we have been talking about the power relationship.

I will give a brief example of the local contact issue. I met with a portfolio manager for one of the banks in the north-west. In fact, representatives from that bank will be here later. That manager had experience and a network of clients in the north-west. That network was a very profitable portfolio for the bank, and it had made millions of pounds over the years. However, the bank decided to withdraw that facility to Belfast. That manager had 25 years' experience, and he knew the businesses in the context of the recession. They had been through many dips in the economy over the years and had come to depend on that kind of personal relationship. He knew the business and could make a strategic judgement on the business's ability to adjust. In some cases, people were prepared to take hugely painful decisions, such as breaking up workforces that had been assembled and skilled up over many years, but they downsized to the point where they planned to survive the recession. However, the facilities were changed, and the businesses that had done profitable business with the banks and had presented what was basically a survival plan to them were put out of business by the banks. I have met people who have been in that position. Have you met people who have been put in that position by the banks? The situation is about abuse of power. It is not that the banks are acting illegally; my problem is that they are acting lawfully, but they have consigned businesses to disaster.

Mr McHugh:

The story has not got any easier. In his presentation, Father Tim mentioned the king and the slave. That reminds me that the banks have been refinanced by public money, meaning that they are king. They are in a very powerful position in that they can bully people and they can mete out whatever actions they want. That cannot happen in the other direction, so they are in pole position. That is the difficulty for ordinary people. It is also the difficulty for the Assembly, because it is a part of the demand that money be made available to them so that people in businesses would then be financed. That was the Assembly's notion of things. You are the people to answer these questions, so is there integrity or morality in the banking sector, or are you talking to computers? Do they take into account what you are saying? I remember that in my father's time, a bank manager knew the local community and knew the value of a farm, a home or whatever. Computers know none of that, because they have no feelings. That seems to be the

point that we have reached in this new age of banking. Is there integrity in considering the question of the loss of life? I know that a number of people right across the island have taken their lives because of financial difficulties. On the question of integrity, are the banks and the financial sector being opportunistic? Are they snatching businesses or making gains at the general community's expense? That is a question to which I would like an answer.

Fr Bartlett:

Mr McLaughlin, the simple answer is yes. We have met that time and time again in both our informal encounters as pastors with business people and in the formal process that the four Church leaders established. I think that you are right. Although it is largely beyond the competence of this Assembly to change the relevant legislation, I return to a point that I made earlier: banks are subject not only to regulation and law but to a competitive market. We should never forget that and that one of the things that any business fears is damage to its reputation. It has to be said that such damage should occur only if it is just, verified and established; it cannot be reckless, careless or inciteful. That is an area in which more work needs to be done.

Rev Ker:

In answer to Mr McHugh, we are not questioning any individual's integrity. However, in the systems that exist, the kind of partnership that we seek and the kind of communication that is essential do not seem to be present in the same way. Decisions within those systems are made that do not fully take into account either the effect that they will have on the economic welfare of the whole community or the personal impact that they will have on individuals. It is within those systems of distancing local businesses from banks that, in our view, a bank's business should be about being in partnership with those businesses. Within those systems, there must be some serious thinking, because that separation of banks from businesses has partly resulted in some of the disasters that we have heard about.

The Chairperson:

That concludes this part of the Committee's proceedings. I thank you. Everybody around the Table agrees that you have done us a great service by raising this whole issue, which arouses a deep pastoral concern among all the Churches about the suffering of people in the community. That is something of which we are very cognisant. We are very grateful to you all for coming along to raise such profoundly human and spiritual issues.

I neglected to say that the two archbishops were unable to attend because of other duties, although they wished to attend. Please send them the Committees' best wishes and thank them for their continuing interest. Thank you very much indeed.

Fr Bartlett:

Chairperson, on the back of your thanks, I express our sincere thanks to you. It is a privilege and a pleasure to come to a local Assembly to deal with local issues and to experience the accessibility that members of the Committees, as public representatives, have given to us and others on this issue. I also put on record our thanks to people such as Barry Turley and his staff, who have been of immense practical help in not only arranging this meeting but in helping us generally.

The Chairperson:

Thank you very much.