Joint Committee of Inquiry into the Banking Crisis

Section 24 Statement of

NAMA
(re John Ronan¹)

Strictly Private & Confidential

¹By letter dated 23 November 2015 Mr John Ronan provided a statement under the provisions of the 2013 Act in response to the NAMA statement of 30 September 2015. In this letter Mr Ronan disputed the veracity and substance of the NAMA Statement. Mr Ronan requested that his response be published by the Joint Committee of Inquiry. After consideration, this request was declined by the Joint Committee. However, the Joint Committee acknowledges Mr. Ronan fundamentally disputes the NAMA statement of 30 September 2015.
As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, “documents” include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 (“the Act”), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

“(a) with the prior consent in writing of the committee,

(b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or

(c) to his or her legal practitioner.”

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

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² See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013
30 September 2015

Dear Chairman,

In a written statement to the Joint Committee of Inquiry into the Banking Crisis (Joint Committee) dated 25 June 2015, Mr John Ronan outlined his personal views on NAMA’s engagement with him and on NAMA’s wider mandate and strategy.

NAMA disputes many of the contentions of Mr Ronan to the Joint Committee and we wish to draw attention to the numbered points below in particular. While Mr Ronan is free to discuss his personal engagement with NAMA and that of Treasury Holdings, NAMA, on the other hand, is constrained by law from disclosing details concerning its engagement with Mr Ronan and Treasury Holdings unless these are already in the public domain and the information set out in this submission is provided on the basis that it is already in the public domain.

NAMA wishes to put on record that at all times it dealt with Mr Ronan and Treasury Holdings objectively, commercially and professionally.

NAMA has a difficult job to do on behalf of the State and Irish taxpayers in optimising the financial return from the loans it acquired from the banks. Given the nature of its mandate, it does not expect to be popular with its debtors. Regardless of vested interests, it will continue to work with its debtors in a consistent and reasonable manner that maximises recovery for Irish taxpayers.

Treasury Holdings

1. The enforcement actions taken against Treasury Holdings were not just taken by NAMA, but involved other banks such as Lloyds Banking Group and KBC Bank. The background to the course of dealings between NAMA and Treasury Holdings and the rationale behind the enforcement decision made by NAMA (and the other banks) were set out in detail in NAMA’s affidavits in the High Court judicial review case taken by Treasury Holdings challenging the NAMA decision to enforce, which was determined in NAMA’s favour in July 2012.

2. It is not correct to suggest that NAMA set out to “take down” the Treasury Holdings group or indeed Ronan Group Real Estate and this contention is not borne out by the facts. In the case of Treasury Holdings, NAMA engaged in;

   (a) negotiating a Memorandum of Understanding (MOU) with the group in 2010 and;
(b) committing considerable resources to the detailed evaluation of separate proposals from three parties for the acquisition of NAMA’s loans throughout over 18 months of engagement with Treasury Holdings.

None of these were refinancing proposals in the conventional sense; all were predicated on NAMA funding the acquisition by the third party of a portion of the group’s debt and the underlying security for this debt. For this, NAMA would receive deferred and discounted consideration and a relatively small upfront cash payment. It would have weakened our existing legal security over the assets. Importantly, the projected realisations from all proposals fall well short of the values actually now being realised for these assets in the market, which of itself bears out the approach taken by NAMA at the time. This has proven to be the case despite the self-serving arguments made by Treasury Holdings and experts retained by it in early 2012 that the proposals would have yielded a far greater return for the taxpayer. Mr Ronan fails to mention any of this in his statement.

3. NAMA supported the Treasury Holdings group from loan acquisition in April/May 2010 by funding the group’s operations and providing funding for capital expenditure in excess of €100m on various incomplete projects, such as Monte Vetro and the Convention Centre.

4. NAMA made its decision to enforce in light of its purposes under the National Asset Management Agency Act, 2009 and in circumstances where the Treasury Holdings group was clearly insolvent and, in NAMA’s opinion, past the point of commercial rescue. The appointment of receivers was, in NAMA’s considered judgment and following an extensive process of evaluation and engagement with Treasury Holdings and proposed third parties, more likely to lead to a better financial return for the State – something that has proven to be the case.

5. The Treasury Holdings Judicial Review application was ultimately unsuccessful. In her judgement of 31 July 2012 Judge Mary Finlay Geoghegan dismissed the claims and decided in NAMA’s favour.

6. Mr Ronan makes no reference to the Ritz Carlton Hotel. Treasury Holdings argued during the judicial review proceedings that enforcement action against it would result in the certain closure of this hotel and the loss of many jobs. This did not happen and NAMA played a key role in facilitating the appointment of a court examiner, resulting in a subsequent loan sale to an investor that ultimately secured the hotel operation and the jobs. The former Chairman of the Hotel wrote to NAMA thanking us for saving the 300 jobs after it was rescued.

7. The liquidation of Treasury Holdings was subsequently commenced on the petition of KBC Bank and not NAMA, although NAMA laterally supported KBC’s petition for reasons outlined below. While it was open to the liquidator to appeal the decision of the High Court in Treasury Holdings’ judicial review case, as Treasury Holdings had indicated it would do, he elected not to do so.

8. In relation to Ronan Group Real Estate, again NAMA provided support to the group’s operations, resulting in a refinancing of the group’s NAMA debt in April 2015, to which Mr Ronan refers.

Battersea

9. Mr Ronan contends that the sale of the Battersea Park site in London cost NAMA and taxpayers billions. Implicit in this criticism is the assumption that NAMA (and thereby the Irish taxpayer) would make an enormous capital investment in developing Battersea, reportedly of the order of €5 billion to include a GBPE200m contribution to extend the London Underground Northern line as a condition of the planning permission. Mr Ronan omits to mention that the significant costs of securing the current planning permission were funded by the Battersea lenders, a lending syndicate comprising NAMA and Lloyds Banking Group. Both NAMA and Lloyds Banking Group considered that funding the construction phase of such a long term property play (10-15 years) in London was unacceptably risky especially given the well documented difficulties with the site. While Mr Ronan is entitled to express his views on Battersea, his views are not universally shared. Battersea is a preserved structure and has been the subject of numerous failed development proposals since it closed as a working powerstation in the mid-1980s. Recently Sir Edward Lister, the Deputy Mayor of London, pointed to the long-term
nature and inherent risks attaching to any development of the Battersea site. Furthermore recent commentary on high end residential property price trends and the fall in demand for similar residences in London would support a view of the significant challenges attaching to securing the type of projected returns from this site that Mr Ronan posits.

Whilst, as it has stated publicly, Treasury Holdings was in discussions with a Malaysian consortium in relation to the site, this came about after a lengthy international marketing campaign run by Treasury Holdings to secure a financial investor/funder. The NAMA/Lloyds syndicate funded the costs of this marketing campaign and extended the term of the loan facility to facilitate this campaign. Ultimately no offer was made to fully repay the debt owing to NAMA/Lloyds. After this failed process the NAMA/Lloyds syndicate appointed an administrator, who conducted an open marketing process resulting in the sale of the site for over GBP£400m in 2012. This allowed NAMA to recover the outstanding debt, including interest and costs and all additional funding advanced to achieve planning permission for the site.

Mr Ronan also fails to mention that Battersea was held in a standalone corporate special purpose vehicle structure and accordingly, any surplus over par debt was not available to Treasury Holdings to assist with its Insolvency.

**Chinese Business**

10. In March 2010, just prior to the acquisition by NAMA of loans to Treasury Holdings and related companies, a series of transactions took place by which a large block of listed securities in Treasury Holdings’ Chinese business (listed in Singapore) (estimated value €28,301,575 at 31 April 2010) were transferred to a company owned by Richard Barrett and John Ronan that passed outside of Treasury Holdings’ group. Known as the “TAIL transaction”, this had the effect of removing a high value unsecured asset from Treasury Holdings’ ownership and control, without Treasury Holdings receiving proper compensation. At all times NAMA required that the economic effect of this transaction be unwound fully, with value being restored to Treasury Holdings and used to pay down debt. NAMA issued High Court proceedings to reverse the transaction in April 2012, which Mr Barrett and Mr Ronan initially sought to defend.

Subsequently, in July 2012 after KBC petitioned to wind up Treasury Holdings in the High Court, but before the winding up order was made in October 2012, Treasury’s Chinese management companies, which earned significant fees from managing the Chinese assets, were also transferred out of the Treasury Holdings group to a company controlled by Richard Barrett. This had the effect of removing a further unsecured asset of significant value from Treasury Holdings’ group, so that it was not available to the liquidator and ultimately the creditors, of which NAMA is the largest. NAMA had initially taken a neutral position in the winding up of Treasury Holdings, but changed its position to support KBC’s petition as a result of this development. The liquidator later sought to join NAMA as a co-plaintiff in the reversal proceedings.

To resolve the NAMA proceedings and settle any claims of NAMA and the liquidator, terms were agreed with Richard Barrett and John Ronan to restore the value lost to Treasury Holdings group from these Chinese related transactions. These terms did not initially envisage a sale of the listed securities and Chinese management companies, but following an offer from a Hong Kong buyer (Nan Fung), Messrs Barrett and Ronan proposed that the settlement be restructured to facilitate a sale of the units and management companies to Nan Fung. This was agreed and implemented, resulting in significant realisations for the Treasury Holdings’ liquidator, which will be paid as a dividend to creditors, in effect restoring the value lost. The settlement also generated significant funds for Mr Ronan, which enabled him to proceed with a refinancing of his NAMA debt relating to his personal RGRE portfolio.

Clearly, NAMA did not determine the strategy for Treasury Holdings’ Chinese business or the decision to sell, NAMA’s only interest was in securing an effective reversal of the asset transfers, to restore value to Treasury Holdings.
11. Mr Ronan suggests that NAMA sought to prevent McCann FitzGerald, Solicitors from acting for him and his companies. In fact, McCann FitzGerald reached this decision having assessed whether or not it could effectively manage a conflict of interest, in circumstances where John Ronan was a defendant in litigation taken by NAMA and where that firm provides legal services for NAMA.

Sale of Properties

12. Mr Ronan contends that RGRE was forced by NAMA to sell properties such as 30 Herbert Street, Dublin 2 and 3 Burlington Road, Dublin 4. NAMA does not agree with this. These properties were sold by Mr Ronan to achieve debt reduction targets set by NAMA as a condition of its ongoing support for his group’s operations. Debt reduction is a necessary feature of NAMA’s engagement with debtors which requires them to repay their debts rather than retain assets indefinitely where this gives the best outcome for taxpayers.

Personal Views and Contentions

13. Mr Ronan expresses his personal view that NAMA cannot be considered a success. Objective commentators, such as the IMF, EU, ECB, World Bank, the credit rating agencies, the CIF and indeed many of the witnesses before the Joint Committee, including two other NAMA developers, have all offered a very different perspective. Each of these disparate parties take a far more positive view on the appropriateness of NAMA as a response to the banking and property market crises in Ireland and on the effectiveness of NAMA’s operations since its inception. Indeed many of them have acknowledged the contribution of NAMA to the current economic recovery in Ireland.

14. Mr Ronan expresses his personal view that NAMA decision making was based on “personal dislikes and likes” and that it “gives little or no consideration to the ultimate return for the Irish taxpayer”.

NAMA endeavours to deal with its debtors, regardless of their profile or the particulars of any case, in a consistent and reasonable manner having regard to its statutory mandate. Decisions taken in respect of Treasury Holdings were based on objective analyses of the facts, with the aim of achieving the best financial outcome for Irish taxpayers. Moreover, NAMA is working consensually with 70% (by value) of its debtors.

15. Mr Ronan expresses his personal view that NAMA staff lack adequate experience in finance and property and that NAMA “should leave development to the individuals and companies with correct skills and expertise”. From its very outset, NAMA, through the NTMA, recruited staff with a diverse range of skills and experience from disciplines including banking, finance, law, insolvency, property development, asset management, architecture, engineering, surveying, planning, and construction. NAMA does in fact have the necessary resources, skills and experience to successfully fulfill its asset recovery and asset management mandates. Indeed, an important rationale for the establishment of a single asset management entity in Ireland was the requirement for specialist skills, particularly specialist real estate skills, which had not been available in the banks responsible for the pre-crash lending to this asset class.

16. Mr Ronan makes a number of contentions in respect of NAMA’s impact on the Irish property market, including that NAMA’s approach is “creating a vicious circle where the value of Irish commercial property is being driven lower” and “is contributing to the fall in the value of every house in the country over the past two years”. As is evident from the performance of the Irish commercial and residential markets since their strong recovery from 2013 onwards, this contention is not supported by any objective evidence.

17. Mr Ronan alleges that NAMA “leaked” confidential information on his dealings with the Agency to the media. NAMA refutes this allegation.
Yours sincerely,

[Signature]

Martin Whelan
Head of Relationship Management