# Ireland's "bad bank" accused of dubious practices as debts mount

**Steve James**
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Ireland's "bad bank", the National Asset Management Agency (NAMA), is beset by scandal. It has been accused of opaque accounting, breaking the terms of the panic-induced legislation set up to create it, and, over the next few months, creating the conditions for its most precious assets, including a number of prize London locations, to be bought at fire-sale prices.

NAMA was created in 2009, as a state-funded repository for loans handed out by the Irish banks. In the aftermath of the global financial crash of 2008, and the bursting of the Irish speculative property bubble, the wild lending of the previous few years came to a juddering halt. All the Irish banks were left holding huge loans given to property developers, many of which had little chance of being repaid. The volume of bad loans far outstripped the banks' declining cash deposits. Liability for these bad debts was assumed by the government and, ultimately, the Irish working class.

NAMA was one of a number of desperate measures taken by the Irish government to defend its banking system, and the interests of the narrow clique of financiers running it, in the aftermath of the 2008 crash. Others included a blanket guarantee of all deposits in Irish banks, the nationalisation of Anglo-Irish Bank, AIB and Irish Nationwide, and the injection of huge sums of capital, largely borrowed from the European Central Bank, into the banks' abysmal current accounts. The collective impact of these measures caused the collapse in Irish state finances. International speculators came to doubt that bonds issued by the Irish government would be repaid, necessitating the €85 billion emergency EU/IMF organised bailout last year.

Some commentators argue that the very existence of NAMA, by "crystallising" one component of the ruination of Irish state finance, contributed to the view by speculators that a state default was possible.

Over the last quarter, NAMA has taken over most of the large loans intended for it. NAMA's most recently posted accounts show that the agency has taken over €71.2 billion of loans, for which the state-owned body has paid €30.2 billion to the ruinous and now nationalised banks that handed out the loans in the first place. These loans are mostly to property developers for schemes in various stages of completion. The final sum of loans held by NAMA is expected to be around €88 billion.

Some of the loans are likely to never generate a return. The accountancy blog Namawinelake, set up to scrutinise NAMA, notes that buried in NAMA's figures are details of some 1,605 loans with a book value of over €20.4 billion that are "non-performing". Of these, 75 percent have not raised a cent in over 120 days. The bulk of these are likely to be in Ireland, where both the commercial and housing property markets continue in freefall.

Not all its holdings are worthless, however. If NAMA were to exercise its controlling interest in the thousands of schemes whose finances it now owns, it would be one of the largest property developers in the world. Among its assets are a number of lucrative schemes in central London, where commercial property prices are once again rising. Schemes include the former Battersea Power Station owned by the REO group, Bow Street Magistrates Court and Ontario Towers in Docklands. NAMA has called in administrators on another London scheme on the former Aldgate bus station, adjacent to the City of London, while the "bad bank" fought and lost a case to take control of the Maybourne Group, owners of the famous Claridge's hotel in Mayfair.

NAMA is also a major property owner in Northern

Ireland, controlling some £3.35 billion worth of undeveloped land and part-completed schemes, around one third of which is in Belfast. Between €500 million and €1 billion worth of assets is estimated to be held in Germany.

These immensely valuable holdings are at the centre of recent allegations of bad practice. On January 27, Mark Daly, a Fianna Fail member of the Irish *Seanad* (Senate), warned that NAMA was not publicly advertising the intended sale of assets it controlled. No website or public source existed to establish what properties were controlled by NAMA and when, or if, they were intended to be sold.

The result, according to Daly, was that associates of the original borrowers of money from the Irish banks and whose debts were transferred to NAMA were buying up the same NAMA-owned assets without a public auction at prices far below their current market level. Daly alleged he personally knew, although no details were offered, of a deal where a property was sold by NAMA for €6 million, shortly before being sold on for €9 million, thereby generating in instant €3 million.

This was, said Daly, "a scam of monumental proportions". Daly, a former auctioneer, warned that the lack of transparency in the agencies dealings meant that "in the next six months the cherrypicks, the best property is going to be bought up by the scavengers and the vultures".

Daly was challenged by radio presenter Pat Kenny to use his privileges as a senator to reveal more. To date, he has not done so, but he further noted, "The problem here is that you need smoking guns, you need evidence of emails, phones, cheques, money going. This is all quietly, quietly little chats in a corner over a pint. The guy who came to me on this one was approached at a dinner party to be the third party to buy a property in the UK, and he would then be given a cut."

NAMA has already sold €2 billion worth of property on the UK market.

On the same programme, economics journalist Emmet Oliver complained that NAMA was also lending out money to developers to complete half-built projects. According to Oliver, "We don't know who has received what is effectively public money, and we don't really know what the criteria are to advance that money".

Further concerns over NAMA's sales rest on the fact that by disposing of its most saleable assets to inflate the current account figures, it is deepening its long-term insolvency. In addition, NAMA is thought to be exposed to unknown billions of potential derivates losses. The burden of both will fall on Irish public finances and will be passed on to the working class in the form of yet more savage cuts.

The yield on 10-year Irish government bonds, which at the height of the bailout crisis last November/December was over 9.46 percent, is still at almost 9.39 percent, having briefly fallen to around 8 percent immediately following the bailout.