

Press Release

Dublin, Thursday 24th March 2011

Time For Action-Wanted "Plaintiff"

The **Irish Property Council (IPC)** today launched a campaign to source a suitable "Plaintiff" to take a test case against the Government of Ireland in the Irish Courts regarding the previous Government's negligence and mismanagement of the Irish economy and in particular the reckless management of the State's finances and fiscal policy in the Irish economy and institutions of the State as outlined in the Regling and Watson report and the Wright report together with the reckless management of the lending institutions by management and boards of directors which caused every financial institution of the State to seek a State guarantee on the same day, 28th September, 2008.

The campaign to find a suitable party to represent the people of Ireland as "Plaintiff" started with the placement of notices in national newspapers this week.

One of the grounds it is based on is the fact that the previous Ahern and Cowen led Governments, owed a duty of care to the citizens of Ireland to warn them of the risks they were taking in relation to high risk borrowing from banks and other financial institutions in relation to purchasing property and that they failed to do so.

Patrick Honohan, Governor of the Central Bank emphasized this in his report on the banking sector 2003-2008, which found domestic macroeconomic imbalances had built up in the Irish economy, with Government policy contributing to "economic overheating". This policy led Government to narrow the income tax base and lower taxes, making the public finances highly vulnerable and dependant on the construction industry and property taxes.

He went on to say "the Government's procyclical fiscal policy stance, budgetary measures aimed at boosting the construction sector and a relaxed approach to the growing reliance on construction related and other insecure sources of tax revenue were significant factors contributing to the unsustainable structure of spending in the Irish economy."

Commenting on the role of the banks, Mr. Honohan said there was evidence of a "comprehensive failure of bank management and direction to maintain safe and sound banking practices". He said that banks incurred "huge external liabilities in order to support a credit-fuelled property market and construction frenzy". There was also in-sufficient supervision of external borrowing and lending by European banks into Ireland.

In a further study, the Regling and Watson report highlighted the role played by Government tax incentives in creating and sustaining the reckless scale of bank lending to builders, developers, and investors for development and investment in property and homes.

After the publication of the Regling and Watson report, former Taoiseach Brian Cowen belatedly acknowledged his mistake in allowing these tax measures to remain in place for an extended period when it was clear that they served no economic or beneficial purpose.

The recently published Wright report into the Department of Finance on the collapse of the Irish economy since 2007 asserted that officials in the Department of Finance and the Central Bank issued clear warnings of what was to come to members of the Ahern government but that these warnings were ignored.

The wilful disregard of these warnings was on the basis that the Government of the day needed the investment in property to continue because of the large sums of monies the exchequer was receiving from the sale of property through primarily vat, stamp duty, capital taxes and the high number of construction industry related jobs and taxes. This money was used to fund the overspend as identified in the Wright report where Government policy was to overspend on each budget over and above the maximum sustainable level as recommended by its own Department of Finance. This was crucial information which the investment public should have been aware of which would have allowed the citizens of Ireland to have gauged the risks which Government was taking. This long term risk taking policy of Government as identified in the Wright report, proved to be a significant contributor to the collapse of the Irish economy and with it the collapse of the construction industry and property values.

In summary, the Government was running the country in an unsustainable and reckless manner. It did not caution the banks to reduce the levels of lending to people nor did it warn the public at large which included not only large builders and developers but all citizens who invested in property and homes, of the significant risk involved in taking out large bank loans. The risks that were taken by the Government were not disclosed. The Government stated that it was following best advice which clearly was not the case as stated in the Wright report.

If this information had been passed onto the public and the citizens were properly informed by their Government, people would have been in a much better position to make a well informed decision as to whether to borrow significant sums of money to invest in property or not.

Instead Government policy was to allow banks to actively encourage people to invest in property. Bank regulation was set to such a low level that citizens of the State could borrow in a totally unregulated market. This poor regulation as encouraged by Government caused an over stimulation of property values. At no stage were the investing public made aware of this risk, yet the Government were aware of it.

Furthermore with the introduction of the euro currency, the goal of the Maastricht Treaty in 1992 in creating an economic and monetary union by 1999 for all EU states except the UK, Sweden and Denmark, to facilitate interbank lending in the eurozone, no provision was put in place by the EU Commission and the ECB for the regulation of European banks lending into Ireland and for bank failures.

Therefore should a bank fail in any country the responsibility of that failure had to become the responsibility of the country it was based in. Therefore the bank losses accruing from that failure became sovereign debt. This very significant point was never disclosed to the Irish people by the Government but had been a clear understanding of European banks that were lending through the sale of bonds to the Irish banks. This level of lending to Irish banks by European bond holders and the growth in that lending was unsustainable, but at no stage was it disclosed and identified by Government as a risk to borrower or the taxpayer. This was gross neglect of the Government's duty of care to the people of Ireland.

It is a reasonable understanding that Government would at all times maintain a sustainable economy to ensure investors in every investment category were not exposed to risks which they were not aware of or properly informed of.

Now that the banking sector has collapsed and Government finances have collapsed, the Irish Property Council (IPC) call on the Government to create legislation to provide a solution to deal with the massive debt incurred by property owners and investors at all levels including family home owners. This would provide for indebted property owners declaring their full indebtedness.

and a structure put in place over an extended term, possibly 30-50 years at 0.5% to 1.0% interest but allowing them to trade in their property at today's values in order to generate income and revenue. Forcing people out of the property market through court judgments has already created extreme damage to confidence and will continue to do so to the point of having no participants left and therefore no market. At present we are witnessing internal devaluation causing a race to the bottom.

The Irish Property Council are now taking action by challenging the previous Government's reckless management of the economy, for which some individuals have apologised, in court and calling for accountability and an acknowledgement of responsibility. Senior Bank management have also apologised for mismanagement of their banks which are also accountable and must acknowledge their responsibility. Regling and Watson have outlined the lack of regulation by the Financial Regulator of the lending institutions.

The Irish Property Council require a willing "plaintiff" who can be supported in a court action by the Irish Property Council where the claim as outlined above can be properly put before the courts in the appropriate case.

It is the IPC's intention that should the Government wish to defend their actions, the IPC will have no alternative but to subpoena witnesses to give evidence as to why the mismanagement took place to include Brian Cowen, former Taoiseach and Minister for Finance, Brian Lenihan, former Minister for Finance, Bertie Ahern, former Taoiseach and former Minister for Finance, Charlie McCreevy, former Minister for Finance, Patrick Neary former Financial Regulator, John Hurley, former Central Bank Governor, Sean Fitzpatrick, Michael Fingleton and other Chairmen and Chief Financial Officers of lending institutions, the Secretary of the Department of Finance and Advisers to the Department of Finance.

This case will be a landmark case requiring the support of all property owners who presently seek a new direction to resolve this national financial and property crisis.

The intention is that the resolution should be dialogue and not the blunt instrument of court judgments by big financial institutions which are destroying the fabric of society.

This issue urgently requires Government attention.

Those who are interested in being considered as a suitable "plaintiff" should apply by e-mail to the Irish Property Council at info@irishpropertycouncil.com or via the Irish Property Council web site at www.irishpropertycouncil.com. The IPC will look at the facts of each party and decide who is best suited to mount this challenge.

Finally, financial support is required and those who wish to contribute to this campaign may do so online at www.irishpropertycouncil.com

Further information >

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About The Irish Property Council

The Irish Property Council (IPC) is a professional organisation set up to provide a cogent voice to the people engaged in the property business in Ireland, including builders, developers and investors. The Council has been set up to foster unity across its membership body, to best explore and understand the broader affairs they each face.

Prior to the founding of the IPC the property industry in Ireland had no single, cross sector representative body. The IPC has been established to fill that void and to provide the support mechanisms needed by its members, ensuring that their contribution to Irish society is represented as a professional business interest within Ireland.

THE END

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