

AIB paid hush money of €5M to EBS bosses told to 'dupe' their customers

Ex-managers say they were disposed of for refusing to 'lure' people into investments

By Michael O'Farrell

INVESTIGATIONS EDITOR

AIB HAS secretly paid as much as €5m to silence former EBS branch managers who say they were ordered to 'dupe' their customers into buying unsuitable investment products, the MoS can reveal.

The branch managers, known as tied agents, claim they were unjustly disposed of and lost their livelihoods after they objected to this claimed 'mis-selling'.

In recent months, AIB – which now owns EBS – has concluded as many as 16 settlements with former branch managers behind closed doors.

Further settlements were made when other tied agents initiated legal action.

The majority of the recent payouts were agreed in a confidential mediation process.

The mediation was overseen by senior counsel and former justice minister Michael McDowell, who was this week elected to the

'Payments of €200,000 were agreed, plus costs'

Seanad. In many cases, payments in the region of €200,000 – plus legal costs – were agreed, although some settlements involved more substantial sums.

And some of the settlements are understood to have included a combination of payouts and debt write-downs.

In all, it is estimated AIB has spent up to €5m on settlements.

Each payout included a non-disclosure agreement (NDA) meaning the tied agents, who've been publicly alleging wrongdoing on the part of EBS since 2018, can no longer speak about their concerns.

Since 2011, former building society EBS – which required a crisis-era Government bailout of €2.5bn – has been owned by AIB.

Taxpayers also bailed out AIB to the tune of €20.8bn in the crisis.

The Government has recovered €17.9bn of that by slowly selling its shares in the bank.

HEARING:
Group
spokesman
Shane
Kavanagh at
the Oireachtas
committee



Matters relating to EBS Tied Agents

Today, after a further 5% share sale this week, taxpayers remain underwater by about €1.23bn.

Although the former EBS managers have been silenced, their concerns were already aired before the Oireachtas and the courts.

In June 2018, a group representing 20 branch managers attended the Oireachtas Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach, to explain their plight.

Tragically two of the former managers died before their families received settlements.

Speaking at the hearings, the former managers explained that, as tied agents, they had entered into exclusive contracts with EBS to run branches of the building society throughout the country.

And they described how their contracts were pulled after they raised concerns about orders to 'deceive' customers by 'mis-selling' investment products to them.

According to the agents, these orders came about as mortgage sales nosedived, placing the viability of EBS in jeopardy.

'Deception is the big thing. We were essentially asked to deceive our clients as well, and that was the instruction we had – to trick people into buying products they did not want,' the group's spokesman, Shane Kavanagh, told the committee in June 2021.

'We were asked to engage in

unethical practices. In other words, we were asked to dupe our customers, mislead them, and sell products,' he added.

Mr Kavanagh told the committee that he and others had been cast aside for refusing to carry out these alleged orders.

'We were asked to basically lure people into investment-type products, which many of them would not have been comfortable doing. When we said it was not in

'We were essentially seen as troublemakers'

the customers' best interest to do this, we were essentially seen as troublemakers and we were told we were not team players.

'The issue was what to do:

whether to do what the bank told us or to trick the customer. Our conscience got to us and we said we were not going to do that. By not doing that, the bank then decided it wanted us gone out the door,' he added.

'LEGACY ISSUES':
AIB chief Colin Hunt did not comment

Describing the practices he said he was 'put under enormous pressure' to engage in, Mr Kavanagh also described being 'encouraged to tamper with evidence'.

'In other words, when I was filling out the documentation for customers, I put in customer-centric wording which gave the impression that the customers pushed for the sale of the product rather than me pushing the product on them,' the committee heard.

'If, down the road, the clients realised that they had bought a product they did not necessarily want to buy and... if they made a complaint to the Ombudsman – and he looked up the paperwork and investigated it – he would not be able to rule in favour of the client because it looked like the customer had pushed this product.

'It was all trickery in relation to the words that were used,' he added.

Mr Kavanagh said he was urged to do whatever it took to sell the products because mortgage lending had 'dried up'.

'I have written documentation showing where I was instructed to "do whatever it takes", in the words of the EBS. What does that mean? It did not matter what we did – we just had to get our sales.'

He also spoke of being told not to help people in financial difficulty.

'We were told to leave them alone, that they would be only wasting our time and we would not make money on them. We were told to focus on sales. It was awful,' Mr Kavanagh said.

In 2019, one family, who operated EBS tied agencies in Athlone, Longford and Lucan, took their case to the High Court and won an injunction to prevent their livelihoods being taken away.

During their case, the family firm – Betty Martin Financial Services (BMFS) – alleged that EBS had unlawfully terminated their contract over their refusal to engage in the 'mis-selling of financial products' to customers.

Granting the injunction, Judge

'The banks should lead by example'

John Jordan said: 'Large banks and financial institutions, and smaller ones, wish the public to forgive the past and to move on with a positive attitude. They should lead by example.'

Urging both sides to enter mediation, Judge Jordan said: 'The exercise in itself might serve to help restore, in the public mind, the trust and confidence and faith that they should have in banks and financial institutions, which is being slowly rebuilt with effort over and above any required to solve this ongoing dispute.'

At the time, EBS denied the allegations, taking the matter to the Court of Appeal, which upheld the injunction.

In 2022, EBS settled the case with a confidential payout, just as a full hearing was to commence in the Commercial Court.

AIB CEO Dr Colin Hunt was asked about the matter during an Oireachtas Finance Committee hearing in 2021. He declined to comment when pressed by then-chairman John McGuinness.

'I am deeply conscious of the need for the bank to put legacy issues behind it,' he said.

'We are in litigation on this topic. That is a simple fact. I am not going to go beyond that.'

This week, an EBS spokesman said: 'EBS concluded a mediation process with a number of former EBS agents in 2023. Resolutions were arrived at between each agent and EBS following an extensive process and recommendations from an independent mediator. EBS and each agent accepted these recommendations from the mediator.'

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