Pub provided key to unlocking the Ulster Bank loan scandal

A businessman claims a single fixed-rate loan has led to a 14-year fight for compensation

James Hurley

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Vincent Hurl, owner of the CrossKeys Inn in Toomebridge, Co Antrim, claims that the Ulster Bank loan "destroyed" his business, personal life and health

CHARLES MCQUILLAN

The Crosskeys Inn traces its origins to the 1600s. Thought to be the oldest thatched pub in Ireland, the rural hostelry in Co Antrim has been used in tourist campaigns and was named Country Pub of the Year in 2017 by BBC Countryfile Magazine. Its music nights are said to attract some of the best traditional musicians on the island of Ireland.

For Vincent Hurl, its owner, such renown could be expected to have made him both proud and content. Instead, the 52-year-old's life has been taken over by what he claims is his mistreatment at the hands of Ulster Bank: "I've been fighting since 2009. That's 14 years that should have been dedicated to my family and my business."

His problems began with a £775,000 fixed-rate loan that he took out in early 2008 to fund the purchase of a commercial property. The loan, he alleges, "destroyed" his

business, personal life and health. “It’s a miracle I am still in business, that I’m still around.”
Last week, The Times revealed that Ian Tyler, a former group head of capital at Royal Bank of Scotland, had reported concerns to the City regulator about an alleged lending scandal at Ulster Bank, a subsidiary of Tyler’s former employer, now called NatWest. Tyler, an expert in bank finances, claimed that Ulster Bank had lodged enormous “hidden” liabilities against the names of small business customers in both Northern Ireland and the Republic of Ireland, with “awful” consequences for livelihoods. MPs are calling for an inquiry.
The loan to Hurl first alerted Tyler to the alleged scandal. Hurl’s loan documents describe a “swap agreement”. The businessman had “never heard of a swap before and to be honest I didn’t question it”.

Swaps are an exchange of interest rates between two parties. One might make payments to the other based on a fixed rate of interest, to receive back payments based on a variable rate. Such arrangements are used to hedge against, or to speculate on, changes in interest rates. Having a swap attached to a fixed-rate loan is therefore counter-intuitive. A fixed interest rate loan is your bet, or hedge, on future interest rate movements: adding a swap doubles your risk.

Swaps come with a calculation of how much would be owed if the contract was torn up, plus an amount to account for future volatility, for example if rates change significantly. Tyler claims that Ulster wrongly booked such liabilities against its fixed-rate loan borrowers.

NatWest, Ulster Bank’s owner, claims that references to swaps in fixed-rate loan borrowers’ documentation were a mistake and that in fact Hurl and other Ulster fixed-rate loan borrowers did not have swaps. It declined to explain documentation that appears to show swap liabilities were lodged against the names of certain Ulster fixed-rate loan borrowers, including Hurl.

Internal documents obtained by Hurl via a “data subject access request” — a tactic recently used by Nigel Farage, the Brexit campaigner, in his dispute with Coutts, the private bank — appear to show that at one point swap liabilities worth £267,000 were added against his name and that Ulster staff had discussed his “swap facility” on internal emails. The fixed rate on the loan meant Hurl did not benefit when rates fell during the financial crisis, yet at the same time the alleged swap liabilities marked against his business increased materially.

Tens of thousands of pounds of risk were added to his credit file, damaging his credit rating with the bank and hindering his move to a rival lender, he alleges. A long-planned development that Hurl had been working on for six years fell apart because of the liabilities, he claims, citing correspondence from the bank.

In 2012, Royal Bank of Scotland broke the loan deal and debited a further £119,521 to Hurl’s outstanding debt. This is like having your bank tell you that you suddenly need to immediately pay everything outstanding on your mortgage, with an additional 15 per cent penalty thrown in. A further £155,937 of interest was charged after the loan was broken. In correspondence with another Ulster Bank borrower seen by The Times, one of the lender’s employees alleged that such break costs on the fixed-rate loans arose because the bank “couldn’t work out how to wipe” liabilities it had “wrongly” put against its customers’ names. NatWest declined to comment on this.

The bank said at the time that Hurl’s break cost was to “facilitate” the movement of his business to its notorious Global Restructuring Group, which later was found by a regulatory investigation to have “systematically” mistreated companies.


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Ulster Bank has been accused of imposing unfair loans on business customers
AG NEWS/ALAMY LIVE NEWS

Hurl believes liabilities associated with the hidden swap were the only reason he was in GRG. Internal notes referred to him “being in a position to meet all” his outgoings and being “held in high regard within the bank”.

“I thought you had to be distressed to be in GRG,” he said, “but I never missed a payment. I got up one morning and they’d closed all my credit cards and £120,000 had been added to my debts. GRG did little more than instruct us to sell assets and charge us for the privilege of doing so. All my issues come from the swap.”

Hurl complained to the City regulator, which referred him to its £2.2 billion swaps redress scheme. Ulster borrowers were excluded from this.

After Hurl complained to the Financial Ombudsman Service in 2016, the bank admitted it had no right to apply the break cost and arranged for it to be written off. The ombudsman does not appear to have considered the disputed swap liabilities.

Hurl claims that the admission to wrongfully charged break costs is “the lesser of two evils”.

A spokesman for NatWest said: “We entirely reject all allegations that Ulster Bank — or any NatWest company — engaged in criminal fraud in relation to the sale of fixed-rate loans. This specific case was the subject of a complaint to FOS in 2017, which made no findings of fraud. The bank considers this case to be closed.”

Hurl successfully moved to a new bank in 2013. He said he was considering his legal options: “No amount of compensation can fix the harm, but people need to be held to account. Everyone who has been denied compensation to date needs to be compensated.”

Behind the story

NatWest refuses to say how many of the disputed fixed-rate loans were sold to customers in Northern Ireland and the Republic of Ireland by Ulster Bank (James Hurley writes).

In June, the Financial Conduct Authority said it had “some firm specific data” on how many of these loans had been provided, but said “there are legislative restrictions on what we can share” as “information on how many loans this firm sold would be considered commercially sensitive”.

This was in response to a letter from Stephen Farry, the Alliance Party MP for North Down, who is one of several Northern Ireland MPs who have raised concerns on behalf of constituents about the alleged scandal.

Last year, documents released under freedom of information laws showed that the issue appears to have been on the regulator’s radar for many years.

Martin Wheatley was chief executive of the Financial Conduct Authority
SIMON DAWSON/BLOOMBERG VIA GETTY IMAGES

In June 2012, Martin Wheatley, then chief executive of the Financial Services Authority, the FCA's predecessor, wrote to Lord Turner of Ecchinswell, his chairman, also copying-in [Andrew Bailey at the Bank of England](). The email concerned an agreement it was arranging with lenders to compensate businesses that had been mis-sold swaps, a scheme that would go on to pay out £2.2 billion in redress.

"There is an equivalent problem of people who entered into fixed-rate loans that carry a premium and break clauses similar to those that exist in swaps, but these are outside our remit," Wheatley wrote. "So there are a range of loans as well as many clients who are not touched by our agreement — we do not have data on this but I suspect we are talking large numbers.”

In December 2021, a review by John Swift KC, a barrister, referred to the issue. He wrote that “even though many of these products had almost identical economic characteristics [to swaps] for customers, they were not regulated products and fell outside the FSA/FCA’s regulatory perimeter. In other words, the FSA/FCA was not lawfully able to regulate them”.

However, the FCA has admitted it has not considered the specific issue of the Ulster loans before, but says it is doing so on light of information provided by Ian Tyler and others. Tyler claims the Ulster borrowers be compensated as the alleged conduct is significantly “worse” than that covered by the swaps review.

Article on the following link:

https://www.thetimes.com/world/ireland-world/article/pub-provided-key-to-unlocking-the-ulster-bank-loan-scandal-z8qzj8fkm?gaa_at=eafs&gaa_n=AWEtsqe7ZPlq5Udkk4W-9eRbm64LjqOjeoAaIZE2D5irHRpYJ2N6otLSRGBW&gaa_sig=T-JeMRKNXgH6e1Xk2sTYljOb4hDnGkf1d4oSnVQpgYLGOjT6o_yrjAYUSS9yfKBXgoP7wBB5-YSqAxyBmzPMzQ%3D%3D&gaa_ts=694718dc&utm_source=chatgpt.com