“*The Central Bank Knew. The Public Paid.*”

How loss-hiding, silence, and denial continue to punish Irish citizens.

The final INBS report confirms what many already feared: the Central Bank knew how bad things were — and chose not to act. Its 15-year investigation cost taxpayers over €24 million and revealed shocking breaches at Irish Nationwide, including unsecured mega-loans, total breakdowns in oversight, and lending practices that destroyed lives and futures. But what it truly exposes is a larger, more disturbing pattern: a regulator unwilling to regulate — even when the warning lights were flashing.

The final report, published last week, reveals serious regulatory breaches at INBS, including loans issued without guarantees and the failure to adhere to credit policies. But behind the regulatory failings of the bank lies a disturbing truth about the Central Bank’s role—or lack thereof—in tackling the root causes of the financial crisis, which still haunts first-time homebuyers, struggling homeowners facing repossessions, the livelihood of self employed EBS tied agents and investors.

First-Time Buyers and Homeowners: The Unseen Victims of Loss-Hiding

First-time buyers, who have been scraping together deposits for years, and homeowners burdened with mortgage arrears, are among the biggest victims of the regulatory failures that this investigation exposes. Banks like INBS were allowed to engage in reckless lending practices, issuing high-risk loans without proper safeguards. In some cases, loans were secured only on "profit-share arrangements"—an absurd and risky practice that left borrowers, including many first-time buyers, vulnerable when the bubble burst. This recklessness, also practiced by other Irish banks has resulted in more demanding regulatory capital, thus restricting the ability of Irish banks to supply mortgages to many customers, forcing them to pay extortionate rents instead. This recklessness, also practiced by other Irish banks, didn’t just strain capital reserves — it cost people their homes, their credit ratings, their chance to start again. Many of those affected are still fighting repossession orders, with no legal representation, and no help from the very institutions that allowed the crisis to take root.

The inquiry found that by June 2008, more than 65% of INBS’s loan book was made up of such unorthodox lending arrangements. The bank had issued massive loans based on inflated market values, not secured by any real guarantees, and often with no requirement for personal guarantees from company directors. This system of lending, which encouraged speculation over sound financial planning, left many homeowners deeply exposed when the property market collapsed. It’s these same homeowners who continue to suffer from the aftermath of INBS's failures—struggling with repossession proceedings, negative equity, and mounting debt. Irish judges appear reluctant to enforce EU unfair terms legislation. Until they do, repossession and investor victims remained burdened with losses that the bank should legally shoulder.

The Central Bank, charged with protecting the financial interests of the public, failed to intervene in these dangerous lending practices. Instead, it continued to rubber-stamp a system that allowed banks to disguise their losses and push risky mortgages onto vulnerable buyers. Meanwhile, the wider Irish population was left holding the bill when INBS collapsed, costing taxpayers a staggering €5.4 billion.

The Investor's Nightmare: Hidden Losses, Hidden Risks

While ordinary citizens suffered, investors were also severely impacted by the Central Bank's failure to act. The ongoing cover-up of bad loans and inflated asset valuations kept a large segment of the financial system artificially stable, at least on paper. For investors the truth about the systemic risks in the banking sector was obscured. The Central Bank's refusal to address these practices in the early 2000s meant that much-needed capital was misdirected into an unstable market, pushing up property prices to unsustainable levels. Ireland has lost control of its property market, allowing vulture funds to buy at discounts not available to Irish residents. Surely, this is a breach of competition law?

In the case of INBS, loans were approved based on vague market values with no realistic assessments of the risk involved. The practices that allowed such loans to be issued remained largely hidden from both the public and investors—who only began to understand the full extent of the problem when the crash happened. The Central Bank's oversight failures ensured that investors continued to sink money into a system built on shaky foundations, causing irreparable harm to long-term economic recovery.

The 2015 Meeting: A Disastrous Dismissal of Legal Advice

In an alarming meeting with Central Bank officials in 2015, a disturbing pattern of inaction and complicity emerges. At this meeting, the Central Bank dismissed the legal opinion of George Bompas QC, one of the UK's leading barristers on EU company regulations. Bompas had warned that banks in Ireland and the UK, were systematically hiding losses, and he argued that these practices were not just damaging but illegal. However, in the minutes of the meeting, which have now come to light, it is clear that the Central Bank defended the very practices Bompas condemned. In an extraordinary statement, the Central Bank was aware that banks were "delaying the recognition of losses," but as a "supervisor," it was not permitted to stop them. This refusal to intervene on the part of the Central Bank—even when it knew the extent of the damage being done to the economy—raises troubling questions about its role in protecting the financial interests of the Irish people.

During the 2015 meeting, officials explained their view that under the accounting standards at the time, specifically IAS 39, banks were allowed to apply what's known as the "incurred loss model." This meant that banks could delay recognising losses on loans until they could definitively prove that the loans were impaired. The Central Bank, rather than challenging this approach, acquiesced to it, arguing that it did not have the legal power to force banks to reveal their losses earlier.

A record of this meeting highlights a disturbing tendency within the Central Bank to prioritise the interests of the banking sector over those of ordinary Irish citizens. By actively supporting the practice of hiding losses, the Central Bank allowed a financial system to persist that favoured large institutions while penalising homeowners and investors who were left in the dark about the true risks. This was not a question of ignorance — the Central Bank had expert legal advice warning of loss-hiding, and chose to dismiss it. That's not a passive failure. That's a decision./deliberate act.

Reckless Disregard for Public Trust

While the Central Bank pursued its investigation into INBS executives, imposing penalties and disqualifications, it ignored the broader systemic problems that allowed such reckless behaviour to flourish in the first place. The inquiry into INBS resulted in fines and disqualifications for several top executives, including former finance director Stan Purcell, who was hit with a €130,000 fine and a four-year disqualification from management in regulated firms. However, the Central Bank's role in enabling the financial environment that led to these failures has largely gone unchallenged.
For first-time buyers, homeowners facing repossession, and investors hoping for a fair and transparent recovery, the consequences of this ongoing negligence are profound. As the Central Bank finally concludes its investigation into INBS, it's clear that the true costs of its actions—or lack thereof—are still being paid by Irish citizens. The questions remain: How long will it take for the Central Bank to acknowledge its role in perpetuating these destructive practices? And how many more will continue to suffer from its decision to protect banks rather than the people they were meant to serve?

Cormac Butler
www.cormacbutler.uk
+44(0)7939 285784
+353(0)85723 9000

The following link and reference was added by Irldefrauded.com

Irish Times – 21 May, 2025

https://www.irishtimes.com/business/2025/05/21/irish-nationwide-building-society-inquiry-cost-reaches-243m/