



Archbishop of Armagh

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Mr A Maginness
Chairman
Enterprise, Trade and Investment Committee
Parliament Buildings
Stormont
BELFAST

The Concurrent Meeting of the Committee for Enterprise, Trade and Investment and the Committee for Finance and Personnel

Dear Mr Maginness

On behalf of the leaders of the four main churches I begin by expressing my gratitude for the time afforded by you and the members of the respective committees on 22 September 2010 when you set aside time to listen to Father Tim Bartlett, the Reverend Donald Kerr and the Reverend John McDowell and the attending representatives of the business community.

As you will be aware, those who attended on that day were representing the views of many in society with whom we have engaged in a process of consultation which commenced at the beginning of this year. You will also be aware that this body incorporates people of many walks of life including the leadership of the four main Churches in Northern Ireland, businessmen reflecting a diverse spread of business in terms of both size and sector, business organisations, trade unions and individual parishioners, all affected by the banking crisis.

I set out below, for the consideration of you and your members, the conclusions of this group based upon the various consultations which they have driven over the past ten months.

1. We support the creation of a Credit Review Office similar in nature to that which exists in the ROI. We have investigated the manner in which this office operates and we are impressed by the objectivity and simplicity of its

operation. We know that the office operates on a slim business model comprising the principal reviewer, a panel of circa 10 retired bank managers and a very small administration support, thus delivering value for money.

The objective of the office in the ROI is to determine if Allied Irish Banks and Bank of Ireland in particular are achieving the objectives set each of them to make €3bn of new lending over the next two years.

In the context of Northern Ireland we would suggest such an office might report to the NI Assembly and have the legal power to select and examine lending cases from any bank operating within the Province with a view to reporting on whether declined borrowers can demonstrate that their business is viable as a going concern and has cash generation capability to service its debts. This is the same scope of operation as for the ROI office.

2. There is evidence of a considerable variation between the banks in the manner, and aggression, of the implementation of banking policy. Regrettably, as is often the case in life, the actions of some have affected the reputation of others. I must record that the sentiments of all who attended in leadership from the banks to meet my Church leader colleagues and myself in June of this year were most sympathetic to the messages we provided. However the evidence on the ground suggests something of a considerable disconnect between sympathy expressed and the delivery of policy at the coal face of lending. We wrote by way of summary to each of the four banks, viz Bank of Ireland, First Trust Bank, Northern Bank Limited and Ulster Bank Limited on 5 October 2010 setting out the issues we had raised with them in June and seeking their considered responses. I am disappointed to report that to date I have only received one reply.
3. Banks must be encouraged to create new lending akin to those aspirations as set within ROI. This new lending must work on the principle of sustaining and, further, achieving a net uplift in lending into the SME private business sector in Northern Ireland. Without this government cannot hope to achieve the targets as set for private sector growth to replace the decline in funding for the public sector as prescribed by the recent Comprehensive Spending Review. A central part of achieving this must rely on encouraging banks to provide more time for existing bank lending to be repaid from future cash generation. Our perception is by contrast that banks remain preoccupied with shoring up depleted security, which has largely arisen due to a forced sale property market led by banks seeking to recover loans, and placing onerous demands upon business owners to achieve this objective. We have encouraged the banks to “soften” their lending criteria in this respect to achieve a sustained lending level. Whilst this sentiment was met with understanding from the bank leaders in June and September the proof of the pudding will be in the eating as time now passes.

4. With the latter comment in mind, members of the group are undertaking a monitoring exercise and will collate evidence over the next three months to determine, as far as possible, the extent of any change. The group will make this information available to you and your committee members if it seems clear that progress is not happening. We believe that it is important that banks should be aware that a watching brief continues. We also believe there is much comfort to be given to the business community and society at large in the knowledge that a process of this nature is in hand. It is for this latter reason in particular that we may consider the issuing of a press release in due course.

In conclusion, we all recognise that Banks have an essential and honourable role to play in modern day society. It is essential, therefore, that banks embrace their collective responsibility to society and recognise that their long term financial health and survival is of even greater importance than any short term financial goals.

I trust you and your fellow committee members will find these comments helpful. Please do not hesitate to contact me if you require further comment or clarification.

Yours sincerely

The Most Revd AET Harper
Archbishop of Armagh and Primate of All Ireland