

## **1. INTRODUCTION.**

BRUI is a new trade union with a real focus on matters critical to the SME sector. Those matters range from dealing with the national preferences given to Multinationals and international corporations, to very mundane and day to day issues like unfair, outdated and effectively unlawful commercial rates. However, another fundamental matter affects BRUI members and SMEs in general across the country, ie. access to proper sources of credit funding for everyday business activity. Anyone operating in the real economy for the past couple of years, knows too well, that most every business is effectively functioning as a source of credit to fellow traders. There is effectively zero credit from the commercial banks, in too many instances. This is having an enormous impact on businesses and their owner operators. It is not unusual now to have to wait 2 and 3 months for simple payments for goods and services, and yet business owners are expected to manage this system, be profitable, pay labour and associated costs, and provide credit cover for each and all. SMEs are under enormous pressure, and without any fear of contradiction, it is reasonable to say that about 80% of all SMEs are hanging on by strings, including a large % of farmers.

In recent times, government established the SBCI. This has served a purpose for those businesses which have been able to access funds from it, but BRUI is quite certain there are many businesses totally unaware of such funding, regardless of cost of such funding, or the possibility of accessing it. It should be said that funds from SBCI, even if somewhat (1.5%) cheaper than from other sources, is still not cheap, in the context of the miserable "deposit" rates available in recent times...It would seem that, there must be a better system, a system which provides sufficient volumes of credit, proper supervision of same, and particularly sufficient mentoring for start-up and troubled businesses.

Funding from the ISIF is another government initiative. However, it is clear that this funding may have destinations outside of the productive economy, as its mandate is to promote economic activity.

When BRUI was set up, it was done in the consciousness of three certain facts;

- A. That there is a better system to support the SME sector.
- B. That "official Ireland" doesn't even recognise any distinction between the productive economy, and that part of the economy, which is totally dependent on that productive economy..
- C. That commercial rates, what they are, why they exist, what they are based upon and how they are enforced, prove items 1 and 2 above.

2. **BRUI intends to force a serious debate on the nature of the productive economy.**

The productive economy needs to be defined and then properly supported. There are many aspects to this discussion, including the matter of APPLE, Corporation tax, the role of the IFSC, GDP, GNP, FDI, Commercial rates, commercial farming and family farming, Urbanisation, property prices and property business as a false driver of the economy; however, possibly the most important part of that debate must be focused on the nature of Irish commercial, so-called pillar banks, and how they have failed the Irish people and very particularly have failed the SME sector, a fact well evidenced by the role of the same commercial banks in creating the property bubble and subsequent crash, all that went with that, and how they are now withdrawing from the wider community, and abandoning the SME and indigenous industrial sector. That the state should have had to improvise with such funding as that through the SBCI and the ISIF, is clear and ample proof that the commercial banks are simply focused on profit and collateral collection, in return for administering the credit of the nation. That vulture funds, foreign and local, now have as much as €200bn of Irish debt, a major share of which comes from the SME sector, is further proof of how small businesses have been treated. Clearly, "official Ireland" has very little interest in SMEs and in the productive economy which provides about 70% of all jobs.

3. **BRUI fully supports the call for a network of community/Publicly owned banks, to serve the SME sector.**

BRUI have engaged with the PBFI in extensive discussions, re the development of a network of community banks. The establishment of that network is a core objective of BRUI, and BRUI will work to make such a network a reality as soon as possible. BRUI are fully aware that PBFI have made an extensive proposal to this same consultation process, and BRUI fully supports that proposal. However, BRUI has its own very clear mind on the need for a banking service to serve all small businesses and local and indigenous industries. BRUI is particularly aware of the shortage of credit amongst small businesses, and is aware of the fact that the German Sparkasse system is in fact the back bone of the very successful German economy. In coming to terms with the deficiencies in the Irish commercial banking market, as it applies to the SME sector, much knowledge has been garnered about how these commercial banks are focused only on profits, whereas the German Sparkasse are there to support and drive business, to provide proper mentoring and to provide due care to business owners so as to make business work, rather than produce bubbles, and collect collateral in lieu of credit. BRUI fully appreciates the necessity for a network of community type banks, with very specific governances, working on a "not strictly for profit basis" to drive and support small Irish businesses, thus creating an entirely new framework for local and indigenous industry. These new, properly designed community banking entities, will, in time, obviate the need for further forced emigration of young Irish, who, in recent times have been expected to survive on the yellow pack and zero hour contract principles, while false property prices prop up a failed commercial banking industry. What makes those property prices false, is the simple fact that families and young and even middle aged couples cannot afford very basic houses, evidenced by homelessness, vulture funds,

evictions, and people sleeping on the streets. If houses and housing is not designed and provided for those in the productive economy, then BRUI asks how the non productive sector can expect to be catered for in the economy. That non productive element includes over paid civil servants, the IFSC, the legal profession and others. It is more than outrageous that dysfunctional elements of the wider public service can be quite comfortable with salaries several times that of seriously stressed SME owners and workers, and those other civil servants on basic salaries; even pensioned elements of that same civil servant sector are better catered for than that same productive economy. That the APPLE controversy can even arise speaks volumes. One top economist, has estimated that multinational corporations are paying about €8 billion per annum in tax as opposed to approximately the €20 billion which they should be paying; that speaks for itself., but begs the question if there are other “apples” in that same basket. Then there is the matter of the IFSC, and whatever it stands for? BRUI asks, how can there be approximately €150 billion in assets/loans held in SPVs, which, while having almost zero regulation, can use charitable status to “stay tax neutral”. Is charitable status not the gift of the minister for finance? Then there is the €430 billion approximately of securitised loans, held by FVCs, with slightly more regulation, but, like SPVs offer almost zero to the Irish economy, except false GDP prices, and unexplained “Irish debt” to the tune of possibly €1 trillion; it seems that these IFSC entities provide to the Irish economy, no more than set up fees, which are utterly miniscule in the context of the sums of monies which they supposedly manage and trade in. While SMEs are intimidated on a daily basis re commercial rates, and honest hard working people can have their cars removed from them for spurious matters of car tax and NCT test certificates, official Ireland has presided over an IFSC business racket, the extent of which is not even imaginable by those same ordinary folk. Johnathan Sugarman’s exposé re UNICREDIT speaks volumes. BRUI, as representatives of the productive economy, demands that the productive economy be given the respect it is due, and given necessary primacy over and above the non productive sectors, typified by those who lavish on unearned income.

#### **4. BRUI supports the call for an Post to become the primary administrator of mortgage credit.**

BRUI further supports the call for An Post, in the form of An Post Bank, through the network of 1130 post offices, to become the primary administrator of mortgage credit, at minimal administrative charge to house buyers. This will bring enormous benefits to families, to the productive economy, and will relieve much pressure on salaries and costs of production in the real economy of Ireland, which is now the third most expensive country in Europe to live in. It must be clear to most every man woman and even child, that the so-called pillar banks, and their already disappeared allies (since 2008) have totally abused their control over credit, and that total control must be withdrawn from them. So as to clarify some aspects of information which ground the BRUI position, BRUI makes the following points.

- A. Considering that all new bank loans and mortgages are in fact based solely on the individual’s “promise to pay”, otherwise known as a promissory note, how can it make sense that, while depositors, unsecured lenders, are receiving generally about .6 of 1% in interest per annum, while at the same time, new credit is being issued to new mortgage holders at 8%; if the 8%

were used as a guideline multiplier of deposits lent back to the new mortgage holder, then that would represent about 13 times the deposit rate; in fact, as we now know, new mortgages are new credit based on the promise to pay, and in light of the fractional reserve practice operated by commercial banks, as they have done for centuries, and using a ratio of 10;1, does this not mean that these same banks are leveraging their deposits to the tune of about 130 times. Is this not wanton abuse of privilege by the commercial banks; i.e. the state-gifted privilege of control over the credit of the nation; the above is happening while some businesses are having to draw down ISIF funds at up to 14%. This year, 2017, is the ninth year after the crash, and to date nothing whatever has been done to correct the fundamentally flawed banking system which has no "not strictly for profit" element whatever, whilst in Germany the big commercial banks have only 12.5% of the market there, and 70% of banking services are delivered through public banks of one sort or another.

- B. The property bubble has been fully re inflated, but the only salaries to have been raised are those in the non productive sectors of the economy. This makes no sense. While BRUI appreciates, perhaps better than most, how difficult the Irish economy is now and has been in recent years, official Ireland seems only interested in promoting the FDI aspect of the economy and at the same time playing footsie with vested interests and powerful trade unions. The indigenous productive economy is again being sidelined and sacrificed, with the building sector providing the greatest part of a falsely labelled recovery. BRUI is determined to create a new awareness of the absolute requirement to drive and promote local and indigenous industry, wherein political foolery and corporate interests can never be allowed to dominate again. One property bubble in 20 years is more than enough. Basing and scoring the current growth figures for GDP, on figures from the IFSC, and on the building industry, must constitute more than a mistake. BRUI, asks, if official Ireland can be so captured by corporate propaganda and vested interests, that nothing whatever has been done to even analyse the nature of Ireland's banking crash, never mind fix the problem. A term known as "wearing the green jersey" was coined about 10 years ago, or more, whereby banks could do B&B loans of billions, in order to fool all and sundry, even themselves. As of March 2017, the commercial banks, which remain in Ireland since the crash, are now effectively more than 30% more "systemically important" than they were in 2008, and that being the excuse used to bail out the banks, are we not facing a rehash of 2008/9/10?. BRUI is determined to create community owned banks to drive and support productive Ireland, and to restore credit management to its rightful place, i.e. to communities.
- C. SMEs have been ignored, abused and sold out to the vultures; Are the vulture funds simply executors of commercial banking corruption. In light of the never ending stream of regulation which is being foisted on SMEs, BRUI suggests that similar supervision be exercised upon the IFSC, and the commercial banking industry. This submission does not propose to expose or explore every single aspect of the non ethical commercial banking industry, but some points must be made.

(1) . The fact that securitisation and similar practices, crafted by top legal firms for the benefits of certain Banking industry elements, could ever be established, clearly informs interested parties, that political capture is a sine qua non to allow such unethical racketeering to be

conducted. It seems that no mortgage holder has been able to find the essential separate contract by which he/she/they gave up power of attorney to their bank, which in turn used that POA to engage in securitisation practices. The absence of any sense of ethics in how these practices were engineered, begs many questions as to who and what has been supervised or regulated. SPVs are unregulated, and yet at Q4 2014, held €150 billion loans /assets, while FVCs held €432Bn. Despite the housing crisis, homelessness, evictions and troubled mortgage holders, this element of the banking industry's business has not been exposed, and for some extraordinary reason was effectively blocked from exposure in the courts.

(2) The fact that banks can tout and advertise themselves as lenders smacks of deception at best. BRUI understands that banks simply administer credit, a phenomenal gift from the state, in return for which the state and the general public have received wholesale abuse of privilege.

D. Payments systems. While commercial banks have full control over the payments systems in this state, it is perfectly true that banking executives can tell government authorities "there will be no cash in the cash machines tomorrow", as was done in September 2008. In light of the cost of the bail out of those same banks, BRUI strongly believes that all payments systems be brought under state control, and administered through the new community bank network Central Service Provider .or other. It seems less than reasonable that the government and the general public can ever again be held to ransom with their own monies by the current money masters.

## **5. An Observation on the Irish Mortgage Industry**

**a. Why do Mortgage total payments end up being from approximately 1.5 times the original sum, to more than 2 times the house price, a price which in many cases in 2017, is several times its actual value to the productive economy.**

b. Example 1. €100k borrowed for 25 years @3.5% amounts to a total re-payment of €150,187.

(Note that we are currently in a historically low interest rate period; however those lowest interest rates apply mostly to people lending their money in the guise of deposits, as unsecured lenders to the banking industry; Individuals and others, such as the Credit Unions are receiving approximately .6%. on their loans to the banking industry.)

c. Example 2. €100k borrowed for 25 years @7% amounts to a total payment of €212,033 or over 100% interest. Some new mortgages in 2016 are carrying 8% interest rate.

d. Why do banks require so much interest on peoples' own credit?

A1. Is it for lending depositors' money? Banks don't lend money; they simply administer credit. No money is transferred from elsewhere for your mortgage; the credit is simply typed up on a computer keyboard. It is newly created credit.

A2. Is it because the bank is at a loss of the earning potential on its money while you have it borrowed? As we learned, one's mortgage is one's own credit typed up on a computer (created) and is not taken or borrowed from anywhere else. The bank is at no loss.

A3. Is it for setting up the mortgage contract and credit facility? That would be more than excessive.

A4. Is it for the collecting of an automated monthly payment? No comment!

As we can see the exploitive mortgage system is an huge charge by the banking industry on home buyers, and it is the single biggest lifetime financial commitment for most every family. People are spending the best part of their lives working to pay the exorbitant interest charges to the banking industry.

## **6. How much abuse can the EME sector take?**

BRUI needs only to look to the Sunday paper of 26March 2016, to read Jim Power's expose of NAMA, at the expense of hundreds of businesses and ultimately at the expense of the tax payer, which is ultimately the productive economy. The suggestion in Jim Power's article that up to €40 billion may be lost by NAMA beggars belief, on top of the bank bail-out. Add to the NAMA losses the thousands, so far not even recognized, of small businesses and their owners, across Ireland, who were thrown to the vultures, because they were not big enough to be in NAMA; that latter group has been carrying a large volume of losses, most of which were not of their own making, and which can never be recovered. Suffice it to say, that in every town and village there are several and many who are in that category.

## **Conclusion.**

BRUI has as one of its core objectives, the establishment of a network of community banks, at county and or regional level, to support and drive the indigenous productive economy, working on a "not strictly for profit basis", putting credit

control into communities where it belongs, and delivering ethical services to their communities, with transparent, ethical contractual arrangements, and without reliance on collateral collection, securitization and speculative practices. BRUI fully supports the call for An Post, through its network of post offices, to become the primary administrators of mortgage credit, at zero interest rate, but rather for an administrative charge payable over the lifetime of the mortgage. BRUI further makes it clear, that definite restrictions must be put in place, to ensure that peoples' and the nation's credit may only be used for productive purposes.