



**A Better Deal in**

**Finance & Banking**

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## Our commitments:

- Proceed with the planned disposal of 25% of state-owned AIB shares in 2016
- Initiate a strategic review into the future ownership of AIB and Permanent TSB and the competitiveness of our banking system
- Invest €500 million of the proceeds of the sale of bank shares into a dedicated Green Infrastructure Fund
- Increase the bank levy
- Empower the SBCI to meet some of the shortfall in financing companies with a turnover of over €2million
- Raise lending limits for credit unions while ensuring that loans remain viable and prudent

## Introduction

An effective banking system is the backbone of a strong economy. Ireland during the boom was not well served by its banking institutions, and Labour is fully committed to ensuring that the deadly mix of lax regulation, reckless lending and undue risk is never again allowed to become the norm.

Labour's plan for the banking system is to create a financial system with real competition between banks and available credit, balanced by strong regulation.

To this end, we have already established Micro Finance Ireland and the SBCI (Strategic Banking Corporation of Ireland), which have supported the investment of hundreds of millions of euro in the economy.

We will also ensure a meaningful and socially useful role for the credit union movement and our national post office network.



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## **Bank Ownership**

The State currently owns 15% of Bank of Ireland, 99% of AIB, and all of Permanent TSB.

If returned to Government, Labour will proceed with the planned disposal of 25% of AIB shares in 2016. We will then initiate a strategic review of the current Irish banking system. Key issues such as the future ownership of AIB and PTSB and the range of competition in the retail banking sector must be explored.

We will also work to implement a number of key recommendations contained in the report of the Banking Inquiry. As a start we will make increased provision for risk assessment oversight by the Central Bank of Ireland and establish a new commercial property price register.

We will create a €1bn dedicated Green Infrastructure Fund, with €500m of the proceeds from the sale of bank shares combined with private sector leveraging to increase investment in clean public transport and energy efficiency projects through the Ireland Strategic Investment Fund. The balance will go to reduce the national debt.

## **Financing the Productive Economy**

Labour is committed to completing the job of rebuilding a workable domestic banking system that invests in real Irish economic activity.

Stabilising the banking sector has cost the Irish exchequer enormous amounts of money – it therefore only right that the surviving banks are asked to contribute to the needs of small businesses and Irish society.

At present, banks can write off loan losses against profits, thereby reducing the tax they have to pay. We will increase the bank levy to recoup this tax foregone and increase the State's capacity to fund social services. As it stands, companies with less than 50 workers have an average turnover of €4m, but struggle to access the financing they need. To increase the survival rates of small and medium firms and to enable them to scale up, Labour recognises the critical issue of filling the financing gap left open by traditional lenders, in particular companies with a turnover of more than €2m.

We will explore new mechanisms to meet this gap through the Strategic Banking Corporation.

### Alternative sources of Finance

Labour recognises that non-banking peer to peer seed investment is a vital part of the support jigsaw for new and early stage firms and we will take action to support such activity.

We will reduce the CGT entrepreneur relief available to those disposing of a business to 15% and will increase the lifetime limit to €10m.

If returned to Government, we will further support the development of An Post and its continued growth into new areas of activity.

Labour in Government commissioned the Post Office Network Business Development Group and will act on its recommendations.

We recognise that in order for rural post offices to survive, the post office network must become a provider of choice for the

provision of relevant Government services and information, subject to procurement and state aid rules.

We will also support the introduction and rollout by An Post in 2016 of a basic payment account.

Together with the credit union movement, we are committed to ensuring a dynamic, sustainable future for community based financial services across the country. We will encourage credit unions and post offices to engage and develop strong linkages

### Stronger, more Flexible Credit Unions

Credit unions have a unique role as a grass-roots, not for profit, voluntary based movement in our communities.

Our vision is to broaden the reach and the depth of the contribution Credit Unions can make to supporting individuals, families and small businesses in local communities.

Labour in Government has spearheaded a micro loan initiative in conjunction with credit unions to provide credit to the most vulnerable.

Labour also successfully pushed for a review of appropriate lending levels and the lending limit approval process and we support the raising of lending limits so that credit unions can meet members' needs while ensuring that the loans remain viable and prudent.

Some consolidation of credit unions is inevitable and we will continue to support mergers, where necessary.

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