

BUSINESS DAY

The Fall of Ireland's Mighty Quinn

By DOREEN CARVAJAL JAN. 7, 2012

DUBLIN

IN the green borderlands of County Fermanagh, there was nothing like the Mighty Quinn.

That is what they called Sean Quinn — canny conglomerateur to his friends, wily rogue to his enemies and, until recently, the richest man in Ireland.

Even now, with times so hard in this country, his up-by-the-bootstraps story is the stuff of legend, a Celtic fairy tale for strivers and climbers. This, after all, is the farmer's son who became a quarry man and then, with gravel and grit and yes, a bit of old-fashioned greed, became a billionaire.

Until, that is, it all came crashing down.

Mr. Quinn, 65, contends he lost nearly everything when the bottom fell out of the Irish economy. His business empire, his concrete factories, his wind farms and hotels, the helicopter and the Falcon jet — all gone. Last November, after apparently gambling away his fortune on disastrous investments, he was declared bankrupt by a court in Belfast. During the proceedings, he said he was down to his last 11,000 euros, and an aging Mercedes and 166 acres of land.

That, anyway, is what Mr. Quinn says. Here in Dublin, at the financial institution formerly known as the Anglo Irish Bank, Mr. Quinn's skeptical bankers say his assertions are, well, blarney. They suspect that he and his family still secretly control valuable assets as varied as a shopping tower in Ukraine and real estate in Hyderabad, India's Silicon Valley.

And so the bankers have begun a global treasure hunt. Anglo Irish, which got into so much trouble that it had to be nationalized, says that the Quinns owe it more than 2.8 billion euros, and that it will fight to recover that money for Irish taxpayers.

It is yet another remarkable turn of events in the long, painful saga of the Irish economic collapse. In many ways, Mr. Quinn personified Ireland's boom. Now, he has come to personify its bust. Banks like Anglo Irish lent lavishly to builders and investors like Mr. Quinn. But when the real estate market finally came unglued, the banks were left with more than 70 billion euros in loans that could not, or would not, be repaid.

The Irish government was forced to rescue the financial industry, and the whole debacle eventually led to a bailout by the European Union and the International Monetary Fund. Today, Ireland's economy is still struggling. Unemployment is over 14 percent, and home prices are down 60 percent from their peak. Resentment lingers toward reckless lenders and borrowers.

One thing is sure: the Quinn story is full of surprises. Every effort to claim and manage the assets that he used as collateral for his loans from Anglo Irish has run into mysterious — and sometimes violent — difficulties. Last April, shortly after the bank tried to seize the Quinn Group, his holding company, an earthmover smashed through posts outside the company's headquarters in Derrylin, Northern Ireland, where the Quinn family has kept a farm for five generations. A few months later, a firebomb destroyed a BMW that belonged to the new chief executive of the Quinn Group appointed by the bank. In December, a truck rammed through the

company's canteen.

No one knows who was behind most of the vandalism, and Mr. Quinn and his family have condemned the violence. In court filings, he said he passed his former headquarters nearly every day and still feels pangs of loss. "I no longer own or control the businesses which I have spent my life building up," he said.

Such assurances aside, his former bankers suspect that Mr. Quinn has masterminded various maneuvers to hang on to at least part of his fortune. They say he has used offshore companies to thwart their efforts to gain control of his empire's foreign holdings — a contention that the Quinns have denied.

"It is very much a three-dimensional chess game," said Richard Woodhouse, a British accountant who is leading the quest by the Irish Bank Resolution Corporation, formerly Anglo Irish, to find and seize the Quinn Group's international properties.

While Mr. Quinn is pleading poverty, his wife, Patricia, and his five adult children are battling the bank in court. They say they don't owe the Irish Bank Resolution Corporation anything, since they didn't know what they were doing when they signed the paperwork for Mr. Quinn's loans.

Neither side agrees on much — not even who said what to whom. When his bankers told Mr. Quinn last April that they were seizing control of his conglomerate, Mr. Quinn said he would fight like a cornered rat, according to the bankers.

One of Mr. Quinn's daughters, Aoife Quinn, remembers a more poetic declaration: "Put a dog into a corner, and it will come out barking."

Mr. Quinn, who rarely grants interviews, declined to comment.

HOW Sean Quinn fell so hard, so fast is a story for Ireland's anguished

economic times. Born John Ignatius Quinn, he got his start in business in 1975, when he borrowed 100 Irish pounds to dig a gravel quarry on his family's farm.

But by 2007, having built a globe-spanning empire, he was borrowing billions to gamble on the shares of Anglo Irish. As the bank teetered, it lent huge sums of money to Mr. Quinn.

Hoping to turn a quick profit, he gambled on derivatives, financial instruments that, on the western side of the Atlantic, proved disastrous for the likes of the American International Group. Specifically, he wagered on what are known as contracts for difference, which are used to speculate on the price of a particular asset — in this case, the shares of Anglo Irish itself.

During the boom, these contracts were wildly popular in Ireland, in part because they enable investors to put down as little as 10 percent of the value of the underlying investment. They can be enormously profitable if the price of the underlying shares move in the investor's favor — and disastrous if prices go the other way.

For Mr. Quinn, the contracts turned out to be cataclysmic. He lost so big that, combined with Ireland's deep recession and other missteps, his empire was brought to its knees.

Only now the Quinns argue that the loans from Anglo Irish are invalid. They say that the bank doled out money recklessly and that it was hoping that Mr. Quinn's maneuvers in the financial markets would help prop up its share price. In their view, Anglo Irish, not Sean Quinn, is the villain.

"They would blame my father for the fall of Europe if they could," said Aoife Quinn, 30, the fourth of Mr. Quinn's five children. All five have been ousted as shareholders and from their jobs at various Quinn companies. "I know he is no angel and not without blame, but they seem intent to drag him down."

The two sides sparred last month in bankruptcy court in Northern Ireland and are now waiting to go to court again early this year in Ireland. The bankers challenged Mr. Quinn's bankruptcy declaration, which could allow him to emerge in a year to resume his business, as he has vowed to do.

The two sides seem to be playing a game of cat and mouse. But just who is the cat, and who is the mouse? Even though he has been declared bankrupt, Mr. Quinn still lives in a sumptuous mansion in Ballyconnell, Ireland. His five children are listed as the owners.

For the bankers, one challenge is the sheer size and reach of the Quinn Group. Its international property portfolio stretches over 70 companies in 14 countries. Each week, bankers get thick reports chronicling legal skirmishes in various jurisdictions.

The paperwork provides a glimpse into a byzantine organization. In some cases, foreign third parties have claimed enormous debts that, remarkably, equal the exact share value of landmark buildings. In other cases, stock and vital voting rights have been transferred in return for little more than a 380-euro Sony laptop.

"I feel sometimes that I am researching a cold-war novel, rather than urban development and finance," said Brendan Williams, an economist at University College Dublin who has been tracking the fallout from Ireland's property bust. "Leaves 'Tinker Tailor' in the shade."

In India, for example, representatives for the Irish Bank Resolution Corporation are struggling to gain control of a \$5 million site for a hotel in Hyderabad. A local injunction blocked them, but they have no idea who is behind it. The company disputing their takeover, Mecon Manufacturing and Contracting FZE, is based in the United Arab Emirates, where registration of corporate directors is secret.

"Slowly but surely it got more and more difficult," said Robert Dix, who

was named by the bank to direct Quinn Holdings Sweden AB, a company Mr. Quinn established in Sweden in order to minimize taxes and enable his children to control his global portfolio.

“We have no idea who the brain is,” Mr. Dix said, “but it has to be somebody very clever because it’s very consistent.”

THE Mighty Quinn was still flying high when the crash came in 2008. That year, Forbes magazine estimated his personal wealth at \$6 billion, and his companies employed almost 6,000 people. Among them were his five children, who began working for their father as teenagers, picking up stones on a family-run golf course.

Mr. Quinn rarely speaks publicly. But in 2005, he delivered a prophetic speech about his hard-charging business style. “I suppose I was always very greedy,” he said. “I was never happy with what we had, and I was always looking for new opportunities.”

Last autumn, a very different Sean Quinn stood outside a bankruptcy court in Belfast. He said he was an unwitting victim of the global financial panic that had led to Ireland’s economic collapse.

“People like me were foolish enough to get stuck in the height of it, and borrowed too much money, believed in banks,” he said.

For all his problems, Mr. Quinn remains a nearly legendary figure in the rural, predominantly Catholic borderlands that straddle Northern Ireland and the Republic of Ireland. He brought jobs to a poor region once shaken by Irish Republican Army shootings and bombings.

Mr. Quinn has shaped a public narrative of himself as a billionaire with a common touch — a regular bloke who plays weekly penny-ante card games, shuns celebrity-studded affairs and plans to be buried at his home Catholic parish, St. Mary’s Church, in Teemore, Northern Ireland, where he

is a lifelong member of the Shamrocks Gaelic Football Club.

His daughter Aoife and her sister, Ciara Quinn, 35, say their father instilled in his family his relentless work ethic. During a two-hour interview in the Dublin office of their public relations representative, the sisters vigorously defended their father and said their family had unwittingly become enmeshed in his nightmare.

“My father tirelessly worked seven days a week and he built something real and lasting for a community on its knees,” said Ciara Quinn, a trained nurse who worked in Mr. Quinn’s insurance business until she was laid off in a systematic process that the children have labeled as “de-Quinning.”

“My father has never taken a two-week holiday,” she said. “Never.”

Their mother, Patricia Quinn, unsuccessfully argued in court in December that she was not personally responsible for an unpaid 3 million euro loan. She said she had signed the loan documents without reading them and was influenced by her husband.

That prompted the judge, Peter Kelly, to quote Mr. Bumble, from “Oliver Twist,” on the legal validity of alleged spousal ignorance: “If the law supposes that, then the law is an ass.”

THE Quinns paint a picture of a trusting family that didn’t know what it was getting into. But that’s not quite the way executives see it at the Irish Bank Resolution Corporation.

“The Quinn family says the loans were illegal so therefore they shouldn’t have to pay them back,” said Mike Aynsley, the chief executive. “On the other hand, the bank is involved in a series of litigations that we are defending in multiple jurisdictions that are designed to take control of the assets away from the bank — and therefore from the taxpayers.”

According to court documents and interviews, after the bank took

control of the Quinn Group, clues emerged that Mr. Quinn and several of his trusted executives were preparing for the worst. The bankers already knew that Mr. Quinn often created layers of companies for tax advantages, conducting his purchases of Anglo Irish shares, for example, through a company registered in Madeira. The bankers searched for clues in unlikely places — including Gaelic football blogs because of Mr. Quinn’s ties to the Shamrocks.

Mr. Dix, the new overseer at Quinn Holdings, said that at one point he was handed a document that had been created a few weeks before the bank stepped in. It was marked “strictly confidential,” and had been created on a computer that was accessible to only five Quinn executives. Charting a new corporate structure called the Cranaghan Foundation, it appeared to set out a plan to put the company’s international properties ultimately in the names of Mr. Quinn’s young grandchildren. Then a Swedish law firm mistakenly sent a bill to Quinn Holdings’ new leadership, revealing more about the plan, Mr. Woodhouse said.

“Our concern was this was a new structure put in place to hollow out companies that owned valuable assets and put them beyond the reach of the bank,” Mr. Woodhouse said.

The name Cranaghan emerged in some of the litigation involving the Kutuzoff Tower in Moscow, whose ownership passed through a chain of four companies in Sweden, Cyprus and Russia. In Ukraine, the bank has encountered stiff resistance to taking over Ukraina, a Soviet-era shopping mall in Kiev. Ukraina’s new chief executive has been barred from the administrative offices and there are two sets of security hired by the two different managements.

In the last few days, a judge in Kiev granted a \$45.2 million claim against that property by a mysterious company named Lyndhurst Development Trading, which is based in the British Virgin Islands. The Irish

bank called the judgment “a tool of legalized robbery by foreign investors.” A court in Northern Ireland subsequently barred the claim, and a lawyer representing the bank promised to disclose evidence of fraud. Mr. Dix went as far as to appeal to Ukraine’s prime minister. In November, Enda Kenny, the Irish prime minister, brought up the issue with Ukraine’s president, Viktor Yanukovich.

The Quinns say they aren’t involved in this battle — and that all the finger-pointing is part of a plot against the family by the bankers. They call the latest allegations in Northern Ireland “groundless.”

“I know they have it out for my father, but they seem determined to bring all of my family down,” Aoife Quinn said. “This is no longer about pursuing debts, but some vendetta.”

The bankers say it’s nothing personal. In more than 30 years in accounting and in business, Mr. Woodhouse said, he has never seen such a complicated clash over “obscene” debts.

Whatever the outcome, for many Irish — who ultimately are paying the bills — the old lyrics by Bob Dylan might sum it up best: “Come all without, come all within. You’ll not see nothing like the mighty Quinn.”

Correction: January 15, 2012

Because of an editing error, an article last Sunday about Sean Quinn, the Irish businessman, misidentified the sport with which he is affiliated. It is Gaelic football, not soccer. The article also misspelled the name of one of three countries that were home to companies that at various times owned the Kutuzoff Tower in Moscow. It is Cyprus, not Cypress.

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