



HM Treasury

Report under section 2 of the Loans to Ireland Act 2010:

1 April 2014 to 30 September 2014

October 2014



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Presented to the House of Commons pursuant
to section 2 of the Loans to Ireland Act 2010

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Introduction

1.1 In December 2010, the UK agreed to provide a bilateral loan of £3.2 billion as part of a €67.5 billion international assistance package for Ireland. The loan was disbursed in 8 tranches of £403.37 million (each tranche is referred to in the Act as a “loan”). The government expects the loan to be repaid in full. The Loans to Ireland Act, which was given Royal Assent on 21 December 2010, provides Parliamentary authorisation for the making of loans to Ireland.

1.2 The government agreed to provide a bilateral loan to Ireland because it is in the UK’s national interest that Ireland has a successful economy and a stable banking system. The links between our financial systems, particularly in Northern Ireland, mean that there was a strong economic case to provide financial assistance to Ireland. By being part of the international financial package, the UK indirectly supported the very many businesses across the UK that trade with Ireland.

1.3 The Treasury is required under section 2(3) of the Loans to Ireland Act 2010 to report on:

- any payments made by the Treasury by way of an Irish loan in the period to which the report relates
- any sums received by the Treasury in that period by way of repayment of principal or the payment of interest in respect of an Irish loan
- the aggregate amount of principal and interest in respect of Irish loans which is outstanding at the end of that period
- the remaining term of each Irish loan which is outstanding at the end of that period
- the original term of each Irish loan in respect of which a payment was made by the Treasury by way of an Irish loan in that period

1.4 Section 2(4) of the Loans to Ireland Act 2010 states that no report is required to be prepared or laid in relation to a period if:

- no payments within subsection 3(a) are made in the period
- no sums within subsection 3(b) are received in the period
- no amount of principal or interest in respect of an Irish loan is outstanding at the end of the period

1.5 The Credit Facility Agreement for Ireland provided by the Commissioners of Her Majesty’s Treasury, which was in force from 22 December 2010, is available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220640/int_ireland_loan_agreement.pdf

1.6 In 2011, the Chancellor of the Exchequer took the decision to lower the interest rate on the bilateral loan to Ireland. An amended and restated Credit Facility Agreement for Ireland provided by The Commissioners of Her Majesty’s Treasury came into force on 4 October 2012 and was deposited in the Library of the House on 15 October 2012. This is available at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220641/int_loan_to_ireland_amendment_041012.pdf

1.7 The final disbursement of the loan was made on 26 September 2013. In accordance with the Loans to Ireland Act 2010, the Treasury will continue to report every 6 months until the conditions in section 2(4) are satisfied, specifically:

- no payments within subsection 3(a) are made in the period
- no sums within subsection 3(b) are received in the period
- no amount of principal or interest in respect of an Irish loan is outstanding at the end of the period

Previous reports

1.8 This is the sixth occasion on which the Treasury has made such a report.

1.9 The first report pertaining to the 6 month period ending 31 March 2012 was laid on 11 June 2012 and is available at <https://www.gov.uk/government/publications/report-under-section-2-of-the-loans-to-ireland-act-2010-1-october-2011-to-31-march-2012>

1.10 The second report pertaining to the 6 month period ending 30 September 2012 was laid on 15 October 2012 and is available at <https://www.gov.uk/government/publications/report-under-section-2-of-the-loans-to-ireland-act-2010-1-april-2012-to-30-september-2012>

1.11 The third report pertaining to the 6 month period ending 31 March 2013 was laid on 25 April 2012 and is available at <https://www.gov.uk/government/publications/report-under-section-2-of-the-loans-to-ireland-act-2010-1-october-2012-to-31-march-2013>

1.12 The fourth report pertaining to the 6 month period ending 30 September 2013 was laid on 8 October 2013 and is available at <https://www.gov.uk/government/publications/report-under-section-2-of-the-loans-to-ireland-act-2010-1-april-2013-to-30-september-2013>

1.13 The fifth report pertaining to the 6 month period ending 31 March 2014 was laid on 28 April 2014 and is available at <https://www.gov.uk/government/publications/report-under-section-2-of-the-loans-to-ireland-act-2010-1-october-2013-to-31-march-2014>

2

Report covering the period 1 April 2014 to 30 September 2014

2.1 This chapter constitutes the report required to be prepared under section 2 of the Act, and provides information about Irish loans in the period beginning with 1 April 2014 and ending on 30 September 2014.

2.2 On 26 September 2013 the UK made the final disbursement of the bilateral loan to Ireland. This was reported in the fourth statutory report to parliament, covering the period 1 April 2013 to 30 September 2013 and laid in both Houses on 8 October 2013. Therefore, no disbursements took place during the current reporting period.

2.3 Table 2.A discloses details of each of the loan disbursements made to Ireland by the Treasury. The aggregate amount of principal outstanding at 30 September 2014 was £3,226,960,000.

Table 2.A: Loan disbursements and maturities

Disbursement date	Loan amount	Loan maturity date	Remaining term as at 30 September 2014
Disbursements during previous reporting periods			
14 October 2011	£403,370,000	15 April 2019	4 years, 6 months and 15 days
30 January 2012	£403,370,000	30 July 2019	4 years, 9 months and 30 days
28 March 2012	£403,370,000	30 September 2019	4 years, 11 months and 30 days
1 August 2012	£403,370,000	3 February 2020	5 years, 4 months and 3 days
19 October 2012	£403,370,000	20 April 2020	5 years, 6 months and 20 days
6 March 2013	£403,370,000	7 September 2020	5 years, 11 months and 7 days
6 June 2013	£403,370,000	7 December 2020	6 years, 2 months and 7 days
26 September 2013	£403,370,000	26 March 2021	6 years, 5 months and 26 days
Total disbursed to date	£3,226,960,000		

2.4 Table 2.B discloses interest payments received by the Treasury in relation to Irish Loans within the report period. Accumulated interest on the disbursed tranches of the loan is payable by Ireland each year on 15 December and 15 June until the associated tranche is repaid. The Treasury received an interest payment of £41,769,173.48 on 16 June 2014 (as 15 June 2014 was a non-working day, payment was made on the next business day in line with the amended Credit Facility Agreement). Accrued outstanding interest at 30 September 2014 was £24,786,102.94. Each disbursed tranche is repayable in full on its final maturity date. No principal repayment was due within the report period.

2.5 On 4 October 2012, the revised Credit Facility Agreement reflecting the new lower interest rate came into force. The new interest rate, which applies retrospectively, represents the UK's cost of funding plus a service fee of 0.18 percentage points. The UK's cost of funding for this purpose is defined as the average yield on gilt issuance in the six months prior to the disbursement of a tranche.

2.6 In order to adjust for the higher interest rates previously paid by Ireland, the interest payment that was due on 15 December 2012 was reduced by £7,668,903.59. The total interest received to date, as shown in Table 2.B, fully reflects the new lower interest rate.

Table 2.B: Payments received by HM Treasury

Interest payment date	Interest amount received
15 December 2011	£3,210,220.92
15 June 2012	£19,688,408.80
15 December 2012 (paid 17 December 2012)	£14,779,487.85
15 June 2013 (paid 17 June 2013)	£29,732,004.86
15 December 2013 (paid 16 December 2013)	£38,879,795.48
15 June 2014 (paid 16 June 2014)	£41,769,173.48
Total interest received to date	£148,059,091.39

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