

Bad management hits NIB with huge bill



National Irish Bank (NIB) was ordered to pay €64m euros in costs and compensation for illegal tax evasion and overcharging its customers. Details of the penalties emerged in a report that followed an investigation into NIB by the High Court.

According to the report, the bank **overcharged** customers and set up bogus accounts in a tax evasion scam. The inquiry found that NIB was involved in "deeply disturbing" practices that went on over a ten-year period.

Under the court ruling, NIB bank will have to return €30m to the state and customers and pay the full €34m cost of the investigation into the bank. The government's Director of Corporate Enforcement, Paul Appleby, also warned he was considering taking action to bar 19 **senior managers** at the bank from becoming company directors in the future. "The report is deeply disturbing in revealing the extent to which illegality and bad practice was tolerated and to some extent encouraged," Mr Appleby added.



Almost the entire **management structure** was implicated in the scandal to varying degrees of misconduct. In a statement about the scandals at NIB, the bank said it had overhauled its operations and was now a "very different **organisation**". "The events under investigation go back a long time. We have literally rebuilt National Irish Bank from the ground up," **chief executive** Don Price said.

However, consumers will be very wary about dealing with the bank, given the extent of the wrongdoing and **bad management** revealed by the High Court investigation. NIB is owned by National Australia Bank (NAB), which has also been embroiled in recent but separate scandal itself. Four of National Australia Bank's senior managers resigned down in the aftermath of a trading scandal involving €150 in losses on unauthorised foreign exchange deals. Following an investigation, Australian financial regulators identified a fault in the management culture of NAB, which it argued was pursuing **profit** at the expense of **ethics** and the public good.

1. Why is it important to have an effective organisational structure in a business?
2. Why do you think honest and ethical behaviour is important in business?
3. What effect do you think the scandal described above will have on staff morale and motivation within NIB?
4. What issues would you consider before deciding on which bank you would open a bank account with?