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Dublin Simon burnt by property fund

Dublin Simon Community, a homeless charity, lost an estimated €180,000 after investing in a risky property syndicate

Niall Brady Published: 25 January 2015

THE SYNDICATE was described in the High Court last week as one that "barely makes sense" because of the amount of debt involved and the short term of the investment. The charity recovered less than 30% of the €250,000 it invested in a geared property fund managed by Irish Life after the property, an office block at Austin Friars in London, was sold in 2013.

Dublin Simon is among 200 investors awaiting the outcome of a test case that began last week against Irish Life, taken by four brokers who promoted the fund. They allege that Irish Life misled them with assurances that it would not be forced to sell the property into a depressed market.

The investors lost an estimated €15m, or 71.2% of their money, according to court evidence. Sam McGuinness, chief executive of Dublin Simon, said the Austin Friars fund represented 5% of the charity's investment portfolio and was its only property investment.

"Property was seen as low-risk in 2007 when we invested," he said. "We were led to expect a return of 5%-6% a year, which suggested it was low risk. We're no different from other charities and religious congregations, who've taken massive hits on investments."

All of the charity's liquid investments have been in cash since the markets crashed in 2008, said McGuinness. It is alleged Irish Life was forced to sell the property at a loss in 2013, despite assuring investors it had complete discretion over the timing of a sale.

The fund had borrowed almost £25m (€33m) on an interest-only basis from Permanent TSB, which refused to extend the loan when it fell due for payment after five years. PTSB split from Irish Life in 2012.

Irish Life vigorously contests the claims. It says that it received professional advice in 2012 that a sale was the best option because values were unlikely to improve in the foreseeable future.

It is alleged that a subsequent valuation showed that investors could have recovered all of their money if the sale had been delayed until last year.

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