

ATTN:

LEIGH HANCOCK

Klaus Mønsted Pedersen  
Managing Director  
Danske Bank International SA  
P.O. Box 173  
L-2011 Luxembourg

11 September 2009  
OUR REF: DT/1002-PBA

Dear Mr. Pedersen,

Re: Mr. [REDACTED]  
Mrs. [REDACTED]

I am writing in respect to the case of the above-named persons, who are residents of my Parliamentary constituency of South East England. They are a vulnerable couple in their 80s who are suffering considerable hardship on account of an equity release scheme sold by an associate of Danske Bank International S.A in Spain.

In 2003 Mr. and Mrs. [REDACTED] were sold a financial scheme known as equity release by Allan Graydon of Graydon and Associates S.L., or G&A. The stated aim of the scheme was to avoid Spanish inheritance tax on the property Mr. and Mrs. [REDACTED] owned in Spain.

G&A marketed themselves as chartered accountants, which was a misrepresentation. The scheme was sold as 'In Collaboration with Danske Bank'; my constituents have stated that the connection of G&A with a reputable international bank gave them confidence to invest in the scheme. The collaboration of Danske Bank came through Danske Bank International S.A.'s Representative Office in Spain.

The advertised equity release scheme was structured so that Danske Bank would make available advances of up to 100% of property valuations to applicants; upon drawing down of the loan a charge would be registered against the property in the Land Registry through the offices of the Notary Public. Mr. and Mrs. [REDACTED] suspected that their properties were overvalued, but were of the impression that this would later on be to their advantage.

It was advertised that no repayments of capital would be necessary, ensuring that the full amount borrowed would be deductible from the property value. This would ensure that on the demise of the property's owners, Mr. and Mrs. [REDACTED] inheritance tax on the property would be avoided. Funds raised would be made available to the borrower through a private banking arrangement in Luxembourg. Investors in the scheme would additionally be able to profit from the investment of their money in low risk bonds.

After being persuaded by G&A to sign up to the scheme in 2003, Mr. and Mrs. [REDACTED] mortgaged their home and another property for €1.89 million. Having signed up to a 5-year contract in 2003, Mr. and Mrs. [REDACTED] were alarmed at the mounting losses on

their investment: with consistently negative portfolio values these rose from €80,000 in 2005, to \$100,000 the following year. Nevertheless Mr. and Mrs. [REDACTED] were advised by John Ludskov Larsen of the Danske Bank Representative Office in Spain that they should wait for the end of their contract.

Upon the end of their contract Mr. and Mrs. [REDACTED] were informed that they were now in debt by €268,000. They have been since informed by financial experts that the proposed scheme was incapable of making a profit as the cost of borrowing the money exceeded the interest made on the investments, which were mostly in Danish mortgage bonds. The fees for managing the account, and the commissions paid, were additionally found to be abnormally high. G&A advertised that these fees would be covered by the end of the first year of the contract, but this was not the case.

I would like to emphasize that Mr. and Mrs. [REDACTED] were a vulnerable couple in old age, who were particularly susceptible to a 'hard sell' that played upon intentionally manufactured fears of Spanish inheritance tax. They were apparently intentionally misled about the applicability of Spanish inheritance tax to them: their residency status at the time meant that they were not liable to Spanish inheritance tax; the scheme in any case would not have removed them from any liability to Spanish inheritance tax had it existed.

I would appreciate an explanation of the relationship of Danske Bank International S.A.'s Representative Office in Spain to Graydon and Associates, who have fraudulently misrepresented themselves as Chartered Accountants.

I would additionally appreciate an explanation of your Representative Office's activities with regard to the marketing of this product; it is my understanding that Danske Bank International S.A. is not licensed to seek additional customers outside of its existing Scandinavian customer base resident in Spain; however the Representative Office appears to have an active working relationship with Graydon and Associates, who promote the bank's services to new customers.

Yours sincerely,

Sharon Bowles MEP

cc. Amb. Claus Grube, Permanent Representative of Denmark to the European Union  
Amb. Birger Riis-Jørgensen, Ambassador of Denmark to the United Kingdom