

PAUL MCMORROW

The case of the fugitive banker

By Paul McMorrow SEPTEMBER 20, 2011

DAVID DRUMM isn't a household name in the United States, but the man is reviled back home in his native Ireland. The bank Drumm once ran, Anglo Irish Bank, has done more than any other single entity to trash the once-thriving Irish economy. And for a country littered with the carcasses of broken banks, that's really saying something.

Drumm fled to Boston not long after Anglo's January 2009 nationalization, and has been busy beating back the Irish financial authorities who want to frog-march him back to Dublin. The Drumm case has become a morality tale for extremes in reacting to the three-year-old financial crisis. In the United States, the White House chose financial stability over retribution, so now fat bonuses and conspicuous consumption are back on Wall Street, and conservatives are howling for the repeal of some rather unambitious checks on financial firms. For the Irish, financial stability isn't even an option anymore. Payback is all that's left.

The government-sanctioned leaders of Drumm's former bank want a Boston judge to hold Drumm responsible for Anglo's severe fall. If the bank gets its way, Drumm will be humiliated and homeless. And an American judge will have dealt a far harsher punishment to the scourge of Dublin than to any of the engineers of Wall Street's collapse.

Anglo Irish made money the same way most big banks did during the boom years — it pumped money into real estate with reckless abandon. Its American operation, which Drumm helped launch, financed Fan Pier and the Mandarin Oriental Hotel. It also loaned freely to highly speculative development deals in Boston, New York, and Chicago, on top of an exceedingly frothy mortgage business in Ireland and the United Kingdom. The global economic slowdown wiped out many of these loans, and the bank staggered toward the end of 2008 in a state of near-insolvency.

In an effort to prop up Anglo's swooning stock price, the bank's chairman ordered his senior staff, including Drumm, to stage a public vote of confidence and buy up large chunks of the bank's stock. The bank loaned its executives the cash to facilitate the stock purchases. This sort of insider dealing was common at Anglo: In late 2007, the bank's chairman had \$165 million in personal loans hidden from investors.

Drumm took on more than \$10 million in debt to buy his share of Anglo stock, and within months, the stock was worthless. Anglo's January 2009 nationalization wiped out shareholders, meaning Drumm had borrowed \$10 million to buy a stack of paper. He fled to Cape Cod in mid-2009, ahead of a series of investigations into Anglo's collapse, and its secret insider deals.

“
*The Anglo-Irish bank wants
a Boston judge to hold
Drumm accountable for its
severe fall.*

Anglo followed Drumm to Massachusetts. The bank, now a ward of the Irish state, tried to collect on its hefty stock loan. In a bid to head off lawsuits and a public stoning in Dublin, Drumm filed for bankruptcy in Boston. The Anglo loan, which now stands around \$12 million with interest factored in, was Drumm's only significant liability; he asked a Boston bankruptcy judge to wipe it clean. The bid initially looked like it might pay off. Drumm's bankruptcy trustee sued Anglo last November, claiming that the stock loan was fraudulent.

Things changed this month, though. The trustee abandoned its suit against Anglo, and instead joined the bank in asking a judge to enforce the \$12 million Anglo stock loan. The trustee and the bank are also going after Drumm's wife — who had more than \$2 million in cash put in her name shortly before the Drumms fled Dublin, who owns half of their \$2 million Wellesley home, and who is set to receive half the proceeds from the forced sale of their \$4 million home in Chatham. Anglo and Drumm's bankruptcy trustee want to take it all.

It's difficult to overstate the wreckage that Drumm's bank has left behind. Anglo's final bailout tab should eclipse 15 percent of Ireland's annual GDP — an astounding figure, considering that Treasury's bailout of AIG equaled around 1 percent of the US economy. Anglo loaned recklessly, slid cash to its own executives, and threw massive parties in the weeks leading up to its nationalization.

For that, Anglo now wants to take everything Drumm has. And if Anglo succeeds, it'll be

with the assistance of an American government that would never treat its own ruinous bankers so roughly.

Paul McMorrow is an associate editor at CommonWealth magazine. His column appears regularly in the Globe.

Comments — coming soon. *With the launch of subscriptions to BostonGlobe.com in October, subscribers will have the ability to comment on articles, with reporters and editors from the Globe joining in select conversations.*