

Taxpayers lose millions as football club folds

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The company owns the ailing Fife football team's stadium but has a £12.2m loan outstanding to the Bank of Scotland, now part of the Lloyds Banking Group, which has been called in by the

Andrew Picken

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It is understood Lloyds still wants to get some of the money back, hopefully by striking a lease deal with the new

owners of Dunfermline Athletic, which was placed into administration in March.

But bosses at the Edinburgh-based bank do not think they will get all of the money back, meaning millions of pounds of the debt is likely to be written off.

Eben Wilson, of campaign group Taxpayer Scotland, said: "Week by week we are seeing the full consequences of these toxic loans, which are underpinned by a taxpayer subsidy, coming out into the open."

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know how many more are out there, as too often taxpayers have seen the burden of toxic loans land on their backs."

In 2004, The Bank of Scotland wrote off a £4.5m loan to another company owned by Mr Masterton.

A spokesman for KPMG confirmed the accountancy giant was appointed as the administrator for East End Park Limited last Friday afternoon at the request of the Dunfermline-based firm.

A spokesman for Lloyds Banking Group declined to comment.



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SCOTTISH POLITICAL EDITOR

THE taxpayer-backed bank at the centre of a row over a £12 million loan to its former managing director is to write off much of the debt.

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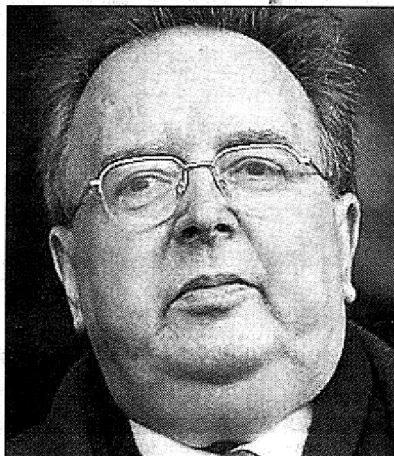
'This scandal deserves immediate attention'

empire in financial chaos and the loan not repayable until he turns 101, it is understood bosses at the Edinburgh-based bank do not think they will get all of the money back.

The loan's payment holiday is contingent on Mr Masterton owning Dunfermline, but this week will see the club either liquidated or put into administration unless its debts are settled.

Alex Salmond has held talks with Mr Masterton over the plight of Dunfermline, which has to pay a £134,000 tax bill by tomorrow. The First Minister met Mr Masterton and phoned HMRC about the issue in January.

Critics last night hit out at the prospect of Lloyds – 43 per cent owned by the taxpayer – wiping out any of the debt, particularly given that it has



FINANCIAL CHAOS: Gavin Masterton

already written off a £4 million loan to another firm set up by Mr Masterton.

Eben Wilson, of TaxpayerScotland, said: 'This sort of scandal deserves immediate attention by the bank and the authorities.'

'Too often, taxpayers have seen the burden of toxic loans land on their backs.'

It is understood bosses at Lloyds have classified the £12.2 million loan to Mr Masterton's East End Park Limited as 'impaired' – an accountancy term for a debt 'unlikely to be repaid in full'.

It is expected the bank will try to get some of its money back via a new rental deal for the stadium once the fate of the football club is finalised.

A spokesman for Lloyds Banking Group said: 'We do not comment on individual customers.'

A spokesman for Mr Masterton said: 'Any matters pertaining to the financial matters of DAFc are confidential and any comment would not be appropriate, particularly at this juncture.'

Could this be the end of the road?

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March 24, Mail on Sunday

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'It feels like all these complex layers of companies and loans is finally catching up with Gavin and it looks like bad news for both the taxpayer and fans of the football team.'

Dunfermline Athletic and CHL last week broke Companies House rules by failing to lodge their latest accounts.

The move came as a £500,000 share issue at the football club faltered. In a separate development, it has also emerged that CHL owes Stagecoach tycoon Sir Brian Souter nearly £1 million in a loan due to be repaid next year.

Mr Masterton, who retired from Bank of Scotland in 2001 with a £250,000-a-year pension, has contacted the Scottish Government for help.

However, Holyrood officials insist they are only providing advice on how to reduce his team's electricity bills.

A Scottish Government spokesman said: 'While we do not intervene between energy consumers and suppliers, Dunfermline Athletic have asked us for advice on how to reduce their electricity bills. We are engaging with the club on this basis.'

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The spokesman failed to respond to a request for a comment on the RBS loan. A spokesman for RBS also declined to comment.

Bank wrote off £4.5m loan to ex-boss's firm

...then they gave his company an even bigger handout

By **Andrew Picken**

THE Bank of Scotland wrote off a £4.5 million loan to a firm owned by its former managing director.

But, despite being left out of pocket, bank executives then gave another firm, owned by Fife businessman Gavin Masterton, a new £12 million loan.

A Scottish Mail on Sunday investigation into the finances of Mr Masterton, owner of ailing Dunfermline Athletic FC, has uncovered close ties with his former employer.

The latest revelations show that the £4.5 million loan was written off in 2004 as parts of Mr Masterton's business empire failed.

However, less than four years later Bank of Scotland bosses approved a £12 million loan deal with a company owned by the 71-year-old, which let it skip repayments for 35 years.

Sources suggest the deals were personally approved by disgraced HBOS executive Peter Cummings.

One said: 'The Gavin situation was



COMPLEX WEB: Gavin Masterton

very embarrassing for the bank. He only left them a few years before and they lent his companies a lot of money. The deals were very much about wiping out or recycling his debts as quickly as possible. It is

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Accounts show it lent Dunfermline Athletic £4.5 million, understood to be from a Bank of Scotland loan.

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The same accounts show that Mr Masterton and Dunfermline Athletic chairman John Yorkston both resigned as directors of Wood Investments, which was sold to SDG Property and SDG Caledonia Holdings.

This deal was linked to the collapse of companies trading under the name Stadia, a business started by Mr Masterton to develop land around football grounds.

Stadia banked with Bank of Scotland and is thought to have racked up debts of around £25 million.

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Mr Masterton's finances as his ailing First Division club struggles to pay tax and wage bills this season.

Earlier this month, the Scottish Mail on Sunday revealed details of a £12.2 million deal which show Mr Masterton's company does not have to pay anything back until 2043.

The cash was used by one of Mr Masterton's companies to buy Dunfermline's stadium and records at Companies House suggest the loan is effectively interest-free as long as the Fife club remains there.

The records also show East End Park's value was £5.9 million in 2007, rising to £11.2 million in 2008. The £12.2 million loan, with the stadium as security, was agreed in 2008.

A spokesman for Mr Masterton – who retired from the bank in 2001 – refused to comment on 'confidential commercial matters'.

A spokesman for Lloyds Banking Group, of which taxpayer-backed Bank of Scotland is a part, said: 'We do not comment on individual customers.'

Mail on Sunday

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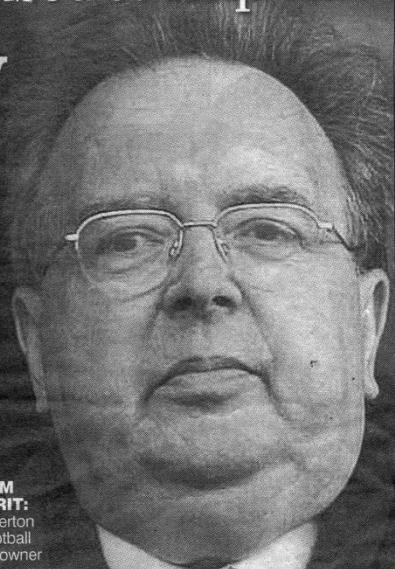
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Boardroom battle after money used to help club £12m loan row bank boss and a spat over bus tycoon's cash

TEAM SPIRIT:
Masterton
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By **Andrew Picken**

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THE former bank boss at the centre of a £12 million loan row has fallen out with one of Scotland's richest men after using some of his money to prop up an ailing football team.

Gavin Masterton, the Dunfermline Athletic owner and former managing director of Bank of Scotland, has been frozen out of a legal services business he owns with Stagecoach tycoon Sir Brian Souter.

The Scottish Mail on Sunday understands the row centres on £400,000 transferred from the venture to the bank account of the Fife football club without Sir Brian's permission.

Mr Masterton yesterday insisted he enjoys a 'strong working relationship' with the entrepreneur.

But it is understood Sir Brian was furious when he found out about the transfer and ordered Mr Masterton to repay the cash before forcing him off the company's board.

Last week The Scottish Mail on Sunday revealed how the Bank of Scotland agreed a £12 million loan deal to a company owned by Mr Masterton which allowed it to skip repayments for the next 35 years.

The disclosures come amid a financial crisis engulfing Mr Masterton's complex web of companies, with Dunfermline Athletic's former managing director suing his ex-boss and creditors circling the club.

One insider said: 'The Souter situation is incredibly embarrassing for



LEGAL BUSINESS: Sir Brian **REVEALED:** Our story about deal last week

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move, Sir Brian is understood to have ordered Mr Masterton and the then First Scottish managing director John Yorkston - who is also chairman of Dunfermline Athletic - to repay the cash and then forced them both off the company's board.

Documents lodged at Companies House show both Mr Yorkston and Mr Masterton - who between them own the majority of shares in First Scottish Group Limited - both resigned as directors of First Scottish in September last year.

An associate of Sir Brian was appointed to replace them.

The problems for Mr Masterton were mounting up last autumn when seven directors - owed more than £500,000 from Dunfermline Athletic - quit the football club as the true

extent of the club's financial difficulties was beginning to emerge.

The former directors wanted to take Dunfermline Athletic out of the group of companies owned by Mr Masterton but he refused.

It is now understood some of those former directors and others connected to the club are considering calling in the 'soft' loans made to the club which have not been repaid.

One of those who left was Bill Hodgins, the club's former chief executive and a former director for a number of Mr Masterton's companies. The Scottish Mail on Sunday can reveal that Mr Hodgins is now planning to sue his former boss.

A compensation action has been raised at the Court of Session against Mr Masterton's Charlestown Holdings Ltd for alleged 'loss of office' and missing pension payments.

A statement issued by Mr Masterton said that Mr Yorkston had stood down from First Scottish on health grounds. It added: 'Mr Masterton continues to enjoy a strong working relationship with Sir Brian Souter.'

'The £400,000 was a series of inter-group transactions which were repaid as agreed. With regard to the Court of Session action, Mr Hodgins resigned without notice. This action is without merit and will be defended vigorously.'

A spokesman for Sir Brian said the businessman did not want to make any comment.

A spokesman for Mr Hodgins said: 'The suggestion that Mr Hodgins may have acted unprofessionally is quite frankly unacceptable.'

The Mail on Sunday

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£12m loan row bank boss and a spat over bus tycoon's cash

By Andrew Picken, Scottish Political Editor

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FEBRUARY 3 • 2013 The Mail on Sunday

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The generous agreement was struck at the height of the global financial crisis, when thousands of Scots were struggling to get mortgages and loans from the now taxpayer-backed bank.

Details of the £12.2 million deal show the 71-year-old's company does not have to make a single repayment on the debt until 2043, when the full amount is due to be paid back to the bank.

Documents at Companies House state interest is only liable on the loan if his football team's East End Park ground is ever sold, a move the latest accounts state the club has 'no plans' to do.

Mr Masterton yesterday said the deal was 'approved in the conventional way' and insisted interest was accruing on the loan.

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TOXIC DEAL: Mr Masterton, left, and the East End Park ground at the centre of the loan agreement

Bank hands ex-boss £12m... with 35 years before he pays a penny

BANK HANDS EX-BOSS £12 MILLION WITH 35 YEARS BEFORE HE PAYS A PENNY

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Sources close to the deal struck in 2008 claim it was sanctioned by fallen Scots banker Mr Cummings. Mr Masterton is a former mentor of Mr Cummings, who was last year banned from working in the City for the rest of his life following his part in the downfall of Scotland's oldest bank.

Details of the loan have emerged as Mr Masterton is facing an uphill battle to shore up the finances of his ailing First Division club which has struggled to pay tax and wage bills this season.

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It is understood the former directors wanted to take Dunfermline Athletic out of the group of companies owned by Mr Masterton but he refused.

One source close to the £12.2m loan deal said: 'There's not a bank in Scotland which would ordinarily agree to terms this generous. Something stinks.'

'Gavin was Peter's mentor, they went way back. There is a confidential legal agreement on this deal which spells all this out but Gavin has refused to let anyone see it as he knows it is toxic.'

Dumbarton-based Mr Cummings was the head of HBOS corporate banking from 2006 to 2008, but was last year fined £500,000 by UK financial regulators over his role in the bank's collapse and banned from ever working in the industry again.

The former tea boy turned corporate banker was accused of epitomising the excesses of the property and buy-out boom of the last decade.

Insiders claim he learned much of his hands-on approach – dubbed ‘handshake banking’ – from his former mentor Mr Masterton, who retired from the Bank of Scotland in 2001.

It is claimed that just as the global financial crisis was getting underway, Mr Masterton turned to his former colleague for a loan to consolidate debts at some of his companies.

According to the latest records at Companies House, East End Park Limited – the Masterton company that owns the stadium and leases it to Dunfermline Athletic – has an outstanding bank loan of £12.2 million which is ‘not repayable in annual instalments’ but is repayable in full in March 2043. East End Park Limited’s parent company is Charlestown Holdings Limited (CHL) – which is wholly owned by Mr Masterton.

CHL’s latest accounts reveal the loan has ‘interest potentially payable at the rate of 2.5 per cent’.

The report goes on to explain the interest ‘only becomes payable upon the disposal of a material part or all of East End Park. The group has no plans to dispose of the property and therefore no provision has been made for interest in the financial statements’.

The accounts then state that at May 31, 2011 ‘the potential liability under the loan agreement amounts to £975,165’.

Details of the £12.2 million loan with the Bank of Scotland first appear in the 2007/08 accounts for East End Park Limited and it is understood the deal went through in early 2008 – one year before Mr Cummings was shown the door at HBOS with a £660,000 payoff and £6 million of pension benefits.

A statement issued by Mr Masterton’s solicitor said: ‘The loan with Bank of Scotland was not an interest free loan, as has been suggested. There is interest accruing on the loan, as is disclosed in the relevant accounts.’

‘The loan was approved in the conventional way and in accordance with bank policies. In the event of a sale, the whole loan and accrued interest are directly payable to the bank.’

‘Our client is concerned that information is being disseminated about him, from parties who are simply seeking to destabilise Dunfermline Athletic Football Club for their own interests and personal gain.’

‘It is apparent that they do not have the best interests of Dunfermline Athletic Football Club at heart.’

A spokesman for Lloyds Banking Group said: ‘We do not comment on individual customers.’

Mr Cummings could not be contacted at his home.

RBS calls in £600,000 loan to ex-boss of bank

By Andrew Picken

THE taxpayer-owned RBS has called in a £600,000 loan to the former boss of a rival Scottish bank.

A company wholly owned by Gavin Masterton, ex-managing director of the Bank of Scotland, was allowed the loan after he personally guaranteed around half the cash.

But bosses at RBS, which posted a £5 billion annual loss last week, have become irritated with the firm missing repayments and have started moves to try to get the money back.

It is understood Mr Masterton's company, Charlestown Holdings Limited (CHL), also owes money to HMRC over unpaid tax bills and has missed a number of deadlines.

Mr Masterton's complex business empire - which includes his ailing



TROUBLED: Gavin Masterton

football team Dunfermline Athletic - faces an uncertain future.

The public purse could lose millions as another of his firms has a

separate £12 million loan from the state-backed Bank of Scotland.

Also, the future of Dunfermline Athletic - which has struggled to pay wages and tax bills all season - is in doubt, as it is part of the CHL group.

Over the past few weeks, we have revealed the extraordinarily close ties between the Fife businessman and his former employer.

Bank of Scotland wrote off a £4 million loan to a company owned by Mr Masterton - then sanctioned the £12 million loan to another of his companies that allowed it to skip repayments for the next 35 years.

A source close to the club said: 'This RBS loan will be news to many people.'

'It feels like all these complex layers of companies and loans as finally catching up with Gavin and it looks

like bad news for both the taxpayer and fans of the football team.'

Dunfermline Athletic and CHL last week broke Companies House rules by failing to lodge their latest accounts.

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MARCH 3 2013 The Mail on Sunday

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By Andrew Picken

THE taxpayer-owned RBS has called in a £600,000 loan to the former boss of a rival Scottish bank.

A company wholly owned by Gavin Masterton, ex-managing director of the Bank of Scotland, was allowed the loan after he personally guaranteed around half the cash.

But bosses at RBS, which posted a £5 billion annual loss last week, have become irritated with the firm missing repayments and have started moves to try to get the money back.

It is understood Mr Masterton's company, Charlestown Holdings Limited (CHL), also owes money to HMRC over unpaid tax bills and has missed a number of deadlines.

Mr Masterton's complex business empire - which includes his ailing football team Dunfermline Athletic - faces an uncertain future.

The public purse could lose millions as another of his firms has a separate £12 million loan from the state-backed Bank of Scotland.

Also, the future of Dunfermline Athletic - which has struggled to pay wages and tax bills all season - is in doubt, as it is part of the CHL group.

Over the past few weeks, we have revealed the extraordinarily close ties between the Fife businessman and his former employer.

Bank of Scotland wrote off a £4 million loan to a company owned by Mr Masterton - then sanctioned the £12 million loan to another of his companies that allowed it to skip repayments for the next 35 years.

A source close to the club said: 'This RBS loan will be news to many people.'