



IN IRELAND I'M SHOCKED AT THE AMOUNT PEOPLE SPEND ON FOOD AND DRINK

people spend on food and drink. I guess it's their choice what they do with their money if they work hard for it.

What was your best investment?
Persuading my sister-in-law to work for me. When you work for yourself, you have such a lot on that you need someone else there.

What was your worst investment?
I bought a beautiful Smeg fridge for my house in Italy but I wouldn't buy it again. It was so beautiful but you can't fit much in it.

What is your money weakness?
Food. When I go to a market, I tend to spend a lot on ingredients and buying from producers. But I think it's a good weakness.

Have you been personally affected by the recession?
Prices have dropped on everything from cookery demonstrations to cookery classes. You have to give people a lot more for their money. When I do those jobs, I provide a folder with all the recipes and get a sponsor to give free drinks.

I used to be a lot more comfortable but I think it's good to have to pull up your socks. You have to be a lot more creative but, when you push yourself, it's more rewarding.

I'm happy where I am at the moment. I'm putting in a lot of hard work and that always pays back.

Do you play the lottery?
No, I've never bought a lottery ticket or even bought a scratchcard. I think, if I did, I'd probably forget to check the numbers.

What is the most important lesson you have learnt about money?
That all the small details add up. In business, I always get three quotes when I need to get printing done, and I have as few staff as possible. It's tempting to grow and it would be easy for me to employ six instead of two but then I might go bust at the end of the year. I always think of free ways of doing marketing, such as by doing my own posters and marketing on Twitter and Facebook.

But I know money can't buy you happiness. It's more important to work at what you love. If you're spending 50 hours a week working, that's your life and you only get one chance to lead it.



McKenna spends heavily on good ingredients at markets and admits that food is her biggest financial weakness

FAME & FORTUNE CLODAGH MCKENNA TALKS TO GABRIELLE MONAGHAN

A taste for the good life

The celebrity chef reveals her recipe for success: pâté, passion and her sister-in-law

Clodagh McKenna, the celebrity chef and food writer, was discovered when a researcher from Rick Stein's Food Heroes sampled home-made terrines and pâtés from her stall at a farmers' market in Middleton, Co Cork.

McKenna, 35, took over the stall from Myrtle Allen, with whom she had worked as a chef at Ballymaloe Cookery School, after borrowing from a credit union to study there.

After appearing on Stein's show, UKTV Food made her its Irish correspondent. She has opened a series of farmers' markets and fronted several food shows on RTE, including this year's Fresh from the Sea. She lived in Turin for four years, returning often to work in Ireland and came home for good last year.

The youngest of four children, McKenna became interested in cooking while growing up in Montenotte, Cork. After school, she went to the Sorbonne in Paris to study French politics, literature and culture, followed by an academic scholarship to New York University to study business. When she returned from New York, she studied at Ballymaloe.

"Had I gone straight to Ballymaloe at 18 without a business degree, I don't think I'd be able to do what I'm doing now," she said.

McKenna opened a cookery school in June at the Village at Lyons estate in Co Kildare, where she also lives. In August, she opened a cookery shop on the estate, selling ingredients, kitchen equipment and homeware. Her latest book, *Homemade*, was published last month and she will run a festival based on the book at the estate next weekend.

What do you normally carry in your wallet?

I have about €50 — and pictures of my nieces.

Which credit cards do you use?

I have a Visa card but I try not to use it. I'm really a cash and Laser card girl.

Are you a saver or a spender?

I'm more of a saver. I was living in Italy for a lot of the Celtic tiger, so I missed that spending mania.

I'm not one for buying expensive shoes on impulse. I'm not big into material things.

Do you buy shares?

I would see shares as a little bit risky. I started a pension scheme a few years ago on the advice of my sister-in-law, Erin, who's very sensible and works for me. She's a clever businesswoman and said if I invested in a pension through my company, I could write off some tax.

Have you ever been really hard up?

I think anyone who starts up a business without any finance feels hard up. When I left Ballymaloe, I was making pâté and running farmers' markets. But I was so passionate about working in an area I love that money wasn't a focus for me.

Any good business person will say that, if you're passionate about your work, you'll do it 24-7, 365 days a year, and it will be a success.

Do you own property?

No, I rent on the Village on Lyons estate. I was living in Italy until a year ago and I hadn't thought about buying any property.

What was your first job?

When I was a teenager, I used to work in Roches Stores in Cork. I was about 16 and worked at weekends, in all different areas of Roches.

What is the most lucrative work you have done?

I think the television series I've done has been the most lucrative. I've always worked for myself and have a few businesses going at once. That series feeds into all these businesses.

When people see me on television, it leads to more books and more bookings for my cookery demonstrations and cookery

school. Television is the best marketing tool. Thankfully, RTE and I are in talks about another series, which might be based on my latest book.

Are you better off than your parents were?

Yes, I probably am in that I'm fulfilling a lot of my dreams. There was not the same entrepreneurial spirit and support for

women in my mother's day, even though I don't think there's 100% equality between men and women in business now. My dad was in the gardai, leaving eventually to run a golf club. My mother started off as a law clerk but went to college at night and got a law degree. They set a good example and I think myself and my siblings are quite driven as a result.

Have you ever seen people spend money in a way that shocked you?

On visits home from Italy during the Celtic tiger, I used to be shocked that Irish people were so focused on what car you drive and what you're wearing. You might think the Italians are too focused on clothes, but often they're wearing the same clothes they've had for 20 years. In Ireland, I'm still shocked at the amount

New doors open for landlords seeking funding

As buy-to-let lending remains tight, alternative ways to find cash are being devised, writes James Charles

PROPERTY owners are coming up with their own solutions to fill the void left after banks and building societies abandoned the buy-to-let sector. Those desperate to sell Irish property may have to accept staggered payments over years and even decades because buyers cannot get mortgages.

In Britain, wealthy investors are securing impressive returns by offering £1m-plus loans in the unregulated buy-to-let market.

Ian Lawlor, of survivingto win.com, which advises Irish investors with property debts, said: "Properties need to change hands, even though banks have stopped lending. You have to be imaginative so that deals get done. Property is an illiquid asset, but you can be creative in how you finance it."

Vendor finance is an option for property owners who can afford to wait for their money. Buyers pay a deposit, with the balance following in regular instalments, including an agreed rate of interest.

"The vendor becomes the lender," said Lawlor. "He or she retains ownership until the final payment is made."

Optimism among private landlords in Britain is growing, as rents rise and yields improve. Demand from tenants has jumped 19% in the past three months, according to Countrywide, the estate agent. However, banks remain cautious about lending to buy-to-let investors or developers, and apply strict limits on the amount they will lend.

Experts say this has fuelled a burgeoning market in private lending by wealthy individuals. Paul Welch, of largemortgage.com, a broker that arranges deals between borrowers and wealthy investors, said: "There has been a significant increase in activity from private investors in the buy-to-let market

because the lending criteria applied by traditional lenders is so restrictive. If you have a buy-to-let portfolio or need finance for a development, your options are limited and private investors have spotted a gap in the market."

Jon Moulton, the private equity tycoon best known for trying to buy Rover in 2000, is lending directly to individuals. He said: "The traditional lenders are not interested in any deal that looks even moderately risky. However, investors can get attractive returns, varying from single digits to considerably more. It is much more attractive than the 1% annual return available from a deposit account."

Private investors acting alone or within a company are charging 1% to 3% a month on a £1m loan, or £10,000 to £30,000 a month. Borrowers typically need between £100,000 and £25m.

Private lenders can charge eye-watering interest rates because the loan is short term and high risk. Applicants typically borrow the bulk of the finance from a traditional lender, but turn to private investors for the final 10% to 20%. However, this will usually be a second charge on the property.

This structure adds to the risk — and the high interest rate — because if the borrower cannot service his or her debts, the bank gets the first opportunity to recoup its money from the sale of the property, with private investors coming in second for whatever is left over.

The loans are available only in the buy-to-let and short-term lending markets, which are not regulated, and they are arranged through specialist brokers.

Investment funds are also getting in on the act. Eugene Esterkin, the managing director of Affirmative, a fully regulated lender backed



Private investors are stepping in where banks fear to tread

by private individuals, Lloyds Banking Group and Royal Bank of Scotland, said: "There are a lot more investors coming into the market. Investment funds are putting money into the unregulated sector, although it is questionable whether there is enough capacity to absorb a lot more players."

Drawbridge Finance, which started trading at the beginning of the year, is typical of the firms entering the market. It is wholly funded by Octopus Investments, an investment fund manager. It provides short-term loans and buy-to-let deals, including HMO (house in multiple occupation) deals and large portfolios, which high-street lenders no longer offer.

It will provide landlord loans for up to three years at 8.99%, including 2% deferred until the end of the term, available up to £15m. For HMO loans, it charges 9.99%, available up to £10m. Borrowers must also pay a 2% facility fee and a 0.75% procurement fee.

Investors can set up a firm providing loans to buy-to-let investors without a licence, although most larger players have a consumer credit licence. If a firm wanted to provide a loan for an owner-occupied property it would need a licence.

Adrian Bloomfield, the chief executive of the Association of Short Term Lenders, the trade body, said: "There has been a big rise in interest from wealthy individuals. Every week we get inquiries from investors wanting to set up a new lender,

but I always recommend caution. It is a business for professionals and there is a high degree of expertise involved."

Despite concerns about the UK's weakening housing market, there are considered to be good opportunities for buy-to-let investors. Rents are at an all-time high in some parts of the country as first-time buyers are forced to remain in rented accommodation for longer.

Confidence in the buy-to-let market has been boosted by the return of Paragon, which was the third-biggest buy-to-let lender during the housing boom.

Banks have also been cutting interest rates on buy-to-lets, but the availability of new deals is limited. Most lenders are willing to offer only up to 60% of a property's value, charging a premium for those with smaller deposits.

Landlords with multiple properties are finding that even these loans are beyond their grasp, as lenders clamp down on the number of properties a borrower can hold and the total value of their investments.

Last month, Lloyds Banking Group, the biggest lender, changed its terms so borrowers with more than three properties or properties worth more than £2m would not be cleared for new loans.

David Hollingworth, of London & Country Mortgages, said: "High-street banks do not want to be exposed to the entire portfolio of a single investor. There is little sign lending criteria will improve soon."

Additional reporting by Niall Brady

Forgive us our debts and lead us not into foreclosure

The precedent for debt forgiveness is at least 3,000 years old. In the book of Leviticus, God told Moses to have his people forgive debts every seven years — about a fifth of life expectancy in biblical times. In today's terms, it would equate to writing off debts every 16 years.

The Hebrew term for debt forgiveness is "shemittat kesafim", a way to "show your face to God" by making free men of slaves.

While our modern issues differ, debt still has the power to enslave. Should we revive the ancient tradition for those mired in mortgages they can't service?

Let's consider how debt forgiveness works in a market economy. When a bank fails, its mortgage book is often sold at a steep discount — say 50c on the euro. That discount can be shared with borrowers, who might be told: "We have cut your mortgage by 35% and will honour that as long as you keep paying."

That's capitalism's version. It's not allowed in Ireland, however, because the discounts would hit the banks, requiring another bailout by taxpayers. We have used taxpayers as a buffer to the market, forcing ordinary citizens to soak up losses meant for others.

The state is unfit to manage this problem. Look at the track record of local authorities in mortgage lending to former tenants. About 30% of these loans are in arrears compared with 5% of mortgages granted by banks and building societies.

Doing nothing can be a viable option in tackling a mortgage crisis. In America, research by the National Bureau of Economic Research showed that 30% of arrears "self cure" — they come back on their own without outside intervention. The 40% that are renegotiated end up going under, despite all the help they get. The passive response could be best, but a lot hinges on "could". If we

KARL DEETER COMMENT



take an active response, the question becomes: should we introduce debt forgiveness at all? If so, what are the foundations and who pays? Let us not forget, in this process, somebody has to lose. It isn't a mortgage version of a Montessori school race, where everybody is a winner and gets a lollipop. On whose desk does the debt forgiveness bill land? Would traditional foreclosure be a better option?

Both alternatives have advantages and disadvantages. If society is to foster prudence, it is wrong to let borrowers keep assets for which they cannot pay. It means a transfer of wealth to those who didn't earn it.

We are in extraordinary times though, so is the risk of rewarding people in trouble worth a shot? Shared equity is often touted as a solution to mortgage arrears, but it is an accounting trick by another name.

If your house is worth €100,000 but the mortgage is €200,000, the bank could take 50% ownership in the property and cut your debt to €150,000.

Your repayments would decrease but you would be deeper in debt — going from 200% leverage (a €200,000 loan on an asset worth €100,000) to 300% leverage (owing €150,000 on your remaining €50,000 stake in the property).

You would be €100,000 underwater in both situations. Shared equity may be one answer, just not a solution that helps borrowers. Failure to

foreclose prevents price discovery. Those keeping properties that should have been repossessed and sold on the open market force neighbours to pay over the odds.

If the discounts inherent in disposing foreclosed properties never came to market, the buck of overpaying is effectively passed to yet another generation.

Facing reality means the banks either foreclose, the traditional method, or they write off the debt. Their balance sheets will look almost the same either way. We have been lied to for long enough. We have paid dearly for our financial system. Let's cure it of the remaining cancer: that final uncertainty that residential mortgages represent.

The best cure is to prevent property bubbles. The more pertinent issue is to change our debt laws. Assets should be the only security acceptable for lending. That would encourage more responsible underwriting and, when it comes to banking, personal liability guarantees should be banned. Dear banks: underwrite like you mean it.

People who are in massive negative equity and arrears didn't commit a crime. They merely bought at the wrong time and lost their ability to service the debt. Saying "we should help" is the easy part. "Who should pay the price of that?" is the difficult bit.

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