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## British Property Owners (Cyprus)

[Mr James Gray *in the Chair*]

3.56 pm

**Andrew Gwynne (Denton and Reddish) (Lab):** I beg to move,

That this House has considered the matter of British property owners in Cyprus.

It is a pleasure to see you in the Chair, Mr Gray.

I am grateful for the chance to raise this issue in Westminster Hall. I am not the first Member to take it up on behalf of their constituents and I begin by praising the work of the all-party group on the defence of the interests of British property owners in Cyprus. Under the chairmanship of the hon. Member for Stone (Sir William Cash), the group has done great work in raising the concerns of people caught up in property and banking problems in Cyprus. It has also provided a framework through which they can pursue justice and fairness in relation to their properties.

I have been contacted by a number of people in my constituency about the mis-selling of Swiss franc mortgages by Alpha Bank in Cyprus, and about the poor advice they had received from solicitors purporting to act on their behalf. Briefly, the background to this issue is that between 2003 and 2010 Cypriot banks advised buyers to take out a mortgage in Swiss francs, because the interest rates were lower and the currency was considered stable. However, when the value of the Swiss franc soared against the euro in the aftermath of the financial crisis, buyers found that their mortgage repayments had doubled.

Buyers have complained that banks often failed to explain the potential risks or that currency fluctuations could cause repayments to rise, which has resulted in property owners being left with unfinished and unsaleable apartments, huge loan obligations and negative equity following the collapse of the Cypriot property market, which saw property values in some areas plummet by as much as 70%.

In one case brought to me by a constituent, the developer went into liquidation before the property being built for my constituent and his wife had been completed, taking 85% of their mortgage fund and leaving them insufficient money to finish the remaining work. My constituent says that his solicitor and Alpha Bank allowed that to happen by permitting the developer himself to sign written confirmation that the various stages of work had been completed.

My constituent and his wife had to begin making mortgage repayments at a time when they did not have the land in their name and the property was not finished. Effectively, therefore, they were paying a mortgage on a property and land that was not legally theirs. When they explained to Alpha Bank that they were in a desperate situation, they were simply told that if they did not make their mortgage payments the bank would seek possession of their home here in the United Kingdom. Similarly, another constituent with the same Swiss franc

mortgage with Alpha Bank spoke of what he believed to be collusion between the bank, the solicitor and the developer, leaving him threatened with bankruptcy.

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I am sure that those examples will be depressingly familiar to anyone who has had dealings with people caught up in the fiasco.

**Sir William Cash (Stone) (Con):** I am chairman of the all-party group on the defence of the interests of British property owners in Cyprus. The hon. Gentleman is a member of the group. Is he aware that we will have a meeting of those affected at 11 am on 12 November, at which the high commissioner for Cyprus, Mr Euripides Evriviades, will be present? There is also a Bill before the Cyprus Parliament, but I am sure that the hon. Gentleman will deal with that shortly, so I will not go into any more detail.

**Andrew Gwynne:** I am grateful for the hon. Gentleman's intervention. He is absolutely right, and I commend him on his work in leading the all-party group. It is my intention to be at that meeting but, if parliamentary duties do not permit me, a representative from my office will attend. I am aware of the situation in Cyprus to which the hon. Gentleman refers.

There have also been allegations of Cypriot solicitors using invalid powers of attorney. The case I want to focus on, on behalf of one of my constituents, is an example of that, and it also highlights that constituent's concern about his legal representation while seeking to obtain redress.

**Joan Ryan (Enfield North) (Lab):** I congratulate my hon. Friend on securing the debate. Before he moves on to that specific case, I want to say that I have had conversations with a number of leading politicians in Cyprus and have found them to be sympathetic, and understanding of some of the problems he refers to. When the Minister responds, will he let us know whether he has had conversations on the matter with members of the Parliament in Cyprus?

**Andrew Gwynne:** My right hon. Friend is absolutely right to ask that question, and I expect and hope that the Minister in his concluding remarks will be able to answer it. It is important that whatever pressure can be brought on the Cypriot authorities by Her Majesty's Government in the United Kingdom, is brought, and that Ministers do all they can to raise the issue with their Cypriot counterparts.

**Sir William Cash:** May I quickly add that the Minister for Europe has been immensely helpful? He has been to two, or perhaps even three, of the meetings I have convened for the purpose. I pay tribute to him for his active interest in the matter.

**Andrew Gwynne:** The hon. Gentleman is absolutely right to highlight the work that the Minister has done, and will continue to do, in respect of the injustices that many of our constituents face. I look forward to the Minister's reply.

My constituent does not want to be publicly named, so I will refer to him as Mr T. C. In 2007, Mr T. C. and his brother-in-law wanted to purchase a retirement property in Cyprus through a UK company called ROPUK. They met with the company's representatives, who showed

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them impressive brochures and projections, and they decided to go ahead with the purchase. They paid a £25,000 deposit and understood that when the property was built they would go to Cyprus to have an inspection and then sign a mortgage agreement. They were advised by ROPUK's representative that a Swiss franc mortgage would be best, but they did not sign up to any agreement except to give a Cypriot solicitor power of attorney in any transactions to which they agreed.

In 2010, when the property was due for completion, Mr T. C. visited Cyprus to monitor the progress of the build. He found that it was not even half finished; it is still in the same state today. He believes that the power of attorney was not executed in accordance with common or Cypriot law, rendering it illegal and anything signed using the power of attorney invalid.

My constituent and his brother-in-law first heard of Alpha Bank when it started to pursue them for payments. They had not signed a mortgage agreement themselves, but one was signed by a third party without their knowledge or consent, and they have never even seen the agreement with the bank, despite repeated requests. They believe that the bank released all the money from their fraudulently obtained mortgage to fund something that is simply not there.

The payments from the mythical mortgage should have been gradually disbursed as the build progressed, according to the progress certificates issued by the project's architect. The bank's surveyor should have been inspecting the development and issuing a report back to the bank, a copy of which should have been passed to the Cypriot solicitor, who was supposed to be acting in my constituent's best interests, to verify build stage against the drawdown of moneys.

**Sir William Cash:** If the Bill to which I referred becomes law, it will give the Republic of Cyprus land registry the authority to exempt, eliminate, transfer and cancel mortgages and encumbrances depending on the case and under certain conditions. I do not have time to go into all the details, but I want to get that into *Hansard*.

**Andrew Gwynne:** I am grateful for that intervention. It is important that that is placed on the record.

I return to the case. None of what I just mentioned was ever done, which is why, years after the supposed completion, Mr T. C. and his brother-in-law still have absolutely nothing. They now owe the bank in the region of £257,000 plus interest—the original price they were quoted was about £140,000 minus their deposit—and they were issued a writ informing them that their case would be heard in the courts of justice in London in June 2014. They received the writ less than a week before the case was due to be heard and had no time to appoint a solicitor.

The case was heard at the courts of justice in front of Master Easton. He asked Alpha Bank's solicitors, Stephenson Harwood, to shelve the European enforcement order pending ongoing legal discussions in Cyprus, but they refused. A European enforcement order was rubber-stamped subject to a second hearing in September. By that time, Mr T. C. and his brother-in-law had appointed Cubism Law to represent them and their case was led by Duncan McNair, who they understood to be an expert in the field.

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His representation in the UK forms the second part of the concerns that Mr T. C. raised with me. He and his brother-in-law paid Cubism Law £2,000 up front to represent them. A barrister attended court, but they say that they were simply told that the European enforcement order had been ratified and that a charge had been placed on their UK properties. They then had to defend the European enforcement order in Cyprus, where they believed they would get less justice than they would here.

Prior to the first hearing and before becoming subject to the European enforcement order, Mr T. C. transferred the house he and his wife owned into her name, to protect her share of their UK property, which was their only substantial asset. His wife was not party to the property purchase in Cyprus. Following the second hearing, Mr McNair commented that the judge had not been impressed by the action Mr T. C. had taken. My constituent says that he asked for advice on whether he should change the title deeds back into his name and that all he was told by his solicitor was that he should let them work for their money, by which he understood him to mean Alpha Bank's British solicitors, Stephenson Harwood. Mr T. C. says that they always made it clear to their solicitor that their priority was to get the European enforcement order overturned and for no further action to be taken until that was achieved.

Mr T. C. says that over the next few weeks much correspondence was exchanged between the two firms, but that that did not prevent Stephenson Harwood from continuing to threaten seizure of the properties. However, it did result in Cubism Law making regular demands for funds, which my constituents deemed unnecessary. At that stage, they became concerned about the costs that were racking up, and the date for the Cyprus hearing was still weeks away. Through Cubism Law, they had paid for solicitors in Cyprus to represent them at the hearing, which was subsequently postponed three times.

Mr T.C. asked his solicitor what the strategy was for their situation, as the costs were spiralling and all they had asked at that stage was for him to defend the European enforcement order in Cyprus. Mr T.C. says that they also informed Cubism Law on 28 October 2014 that they did not wish to incur any further costs, but that specific request was ignored and the costs continued to mount. Most of the costs related to correspondence between Stephenson Harwood and Cubism Law over the transfer of the title deeds. Mr T.C. states that if his solicitor had advised him immediately to transfer the title deeds back to his name, he would have done so. He was eventually advised to do that and for him the question remains as to why he was not asked to do that earlier.

During the time leading up to the hearing dates, Mr T.C. says that he and his brother-in-law were constantly subjected to requests from their solicitor—usually late at night by email—giving them deadlines for payments with what they perceived to be veiled threats of them “prejudicing their case”, or inferring that they would not be represented in this country or in Cyprus in the future. By that stage, their costs had increased to more than £12,000, which was approaching the 5% settlement offer Alpha Bank had alluded to for incomplete properties such as theirs. On 10 November 2014 they sent an email to their solicitor again instructing him not to incur any

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further costs and mentioning the 5% settlement offer. That request was again ignored and their solicitor entered into discussions with a barrister, for which they were charged.

Mr T.C. says that they have yet to be informed what the basis of those costs were and what the discussions were trying to achieve. He adds that at no point had they indicated that they wished to start proceedings against the bank, as Mr McNair had advised that they could not sue the bank if the European enforcement order was not overturned.

**Sir William Cash:** Listening to the hon. Gentleman, I wonder whether his constituents have taken the matter up with the Law Society and the Solicitors Regulation Authority.

**Andrew Gwynne:** Not only have my constituents done that, but I have done so as their MP. The response we got back was less than satisfactory. I am still taking that up with the various authorities, but my constituents feel that one form of redress is to place on public record the real injustice that they feel they have endured over the past few years.

Mr T.C. said that when he pointed out that the solicitor had stated it was not possible to sue the bank without the European enforcement order having been overturned, the solicitor changed his statement and said it would be possible, but with difficulty. The new date for the hearing in Cyprus was set for early January 2015, but that was postponed until late January, and the case was finally heard in February 2015.

**Jim Shannon (Strangford) (DUP):** People from my constituency have had problems similar to those of the hon. Gentleman's constituents; the problems do not relate just to Cyprus, but to Turkey, too. The majority of them are law-abiding citizens who want to get some property to use, in most cases as a holiday home, but they find the legal system difficult. The hon. Gentleman is outlining the problems of his constituents. Does he feel, as I do, that the British consulate could have given better or more advice on what was best to do in a foreign country where they do not speak the language and are unaware of the legalities?

**Andrew Gwynne:** There is a lot that could have been done differently, and I have some sympathy with what the hon. Gentleman says. That is based on my experience not only with this case, but with several cases that my constituency office has been dealing with. No doubt other Members' offices are dealing with similar cases, too. I again commend the work of the all-party group and the Minister in trying to bring some kind of resolution to these matters. We are where we are, and it is a far from ideal situation for many of our constituents.

As I said, the case was finally heard in February 2015. In January, Mr T.C.'s brother-in-law was out of the country dealing with a family matter and he told Cubism Law that he had insufficient funds at that time to settle up his latest bill, but would settle at the end of January or early February when Mr T.C. returned to the UK and after the European enforcement order court case in Cyprus was settled. Mr T.C. says Mr McNair replied saying he no longer represented them and again implied

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that they may not be represented in Cyprus. However, the Cypriot solicitors later assured them that they would be represented.

The European enforcement order was overturned with reservation at the hearing. Mr T.C. feels incredibly let down by the representation he received and believes a lot of the costs were avoidable and totally unnecessary. He has complained through the firm's complaints procedures and received what he and his brother-in-law considered to be a derisory offer of redress, which they refused, as they did a subsequent offer.

As I said in response to the hon. Member for Stone (Sir William Cash), the matter has been referred to the authorities, including the Law Society and the ombudsman. Mr T.C. feels that he has suffered real injustice in respect of both the property purchase and how his case has subsequently been handled. I appreciate that the Minister can do little to answer my constituent's specific concerns, but I would be grateful if he could update Members on the progress being made in general on the matter and on what the Government are doing to support Mr T.C. and all constituents caught up in this sorry situation.

4.16 pm

**The Minister for Europe (Mr David Lidington):** It is, as always, a pleasure to serve under your chairmanship, Mr Gray. Let me start by congratulating the hon. Member for Denton and Reddish (Andrew Gwynne) on securing this debate and paying tribute to the work of the all-party group under the chairmanship of my hon. Friend the Member for Stone (Sir William Cash).

From the large number of items of correspondence that I get from Members from all parts of the House on property disputes, I am certainly aware of the kind of problems that the hon. Member for Denton and Reddish described and of the traumatic impact that property disputes often have not only on the finances, but on the mental wellbeing of the people we represent. Officials in our consular directorate in London are in regular contact with our high commission in Nicosia. Together they brief me and the Foreign Secretary on the scale of the property problems in Cyprus and the impact they are having on individuals.

While today's debate has focused on the difficulties in Cyprus and the case of the hon. Gentleman's constituent in particular, it is a sad reality that property disputes are common in other parts of the world. I have to be frank with the House: the ability of our consular staff overseas to help in individual cases is very limited. That is partly because millions of British citizens live overseas and many thousands of others visit foreign countries every year. It is simply not possible for the Foreign Office to become involved in private legal disputes to which British citizens overseas are party, whether they are related to property, commercial interests or family disputes.

Another issue is that property laws are the competence of individual sovereign states. We have no more authority to intervene in matters concerning Cypriot domestic legislation than the Governments of Cyprus, Spain, Greece, Turkey or Bulgaria—or any other nation where there are numerous property disputes—do to intervene in United Kingdom domestic legislation. Our position

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on property disputes is consistent with the approach taken by the US, Canadian, Australian and New Zealand diplomatic services. We will, however, do two things. We will continue to try to provide as accurate and up-to-date information as we can to our citizens about the risks

involved in buying property overseas and about what they might do to manage those risks, and we will continue to lobby hard with the Cypriot and other Governments to try to persuade them to address some of the generic problems that these distressing individual cases highlight.

**Sir William Cash:** Again, I just want to put something on the record. The Bill to which I referred, which was passed on 3 September in the Parliament of the Republic of Cyprus, is not yet available in English. I know the high commissioner has requested it, but it is taking some time. We are now almost in November. I am told that until it is provided, the general information—for the sake of those who read transcripts—can be found on the website of Nigel Howarth of Cyprus Property News. However, the Bill does not apply to mortgages that were dealt with in Swiss francs.

**Mr Lidington:** What my hon. Friend says is right. I want to refer to that Bill later, but we continue to urge the Cypriot authorities to publish an English-language version of the new law as soon as possible and to make available any guidance that might need to be issued in association with the statute itself. I am sure that the forthcoming meeting of the all-party group with the high commissioner for Cyprus to the United Kingdom will provide a further opportunity for such persuasion to be offered.

We publish information on the high commission's gov.uk website and, more generally, the FCO publishes a guide entitled "Support for British Nationals Abroad", which also provides general advice for British citizens who are thinking about buying a property in another country. Last month our consular officials attended "A Place in the Sun", an exhibition in Birmingham, to talk directly to people considering going to live abroad. The purpose of these initiatives is to help to ensure that our citizens are better informed of the risks and challenges before they take the plunge. For example, we always urge people to take proper professional advice, including legal advice, before buying property.

In some cases, such as the one that the hon. Member for Denton and Reddish has described, part of the problem seems to derive from an alleged failure of the legal adviser to provide advice of a sufficiently high standard. In other cases, sadly, we have come across British citizens who have simply not taken adequate legal advice in the first place. Of course, there are others who, on the face of things, would seem to have been the victims of deliberate misrepresentation. Every case is different, which is why it is difficult to provide a template that will apply equally to every individual case.

**Jim Shannon:** I congratulate the hon. Member for Denton and Reddish (Andrew Gwynne) on securing this debate. Those who take legal advice perhaps anticipate that it will be correct, but sometimes it turns out not to be. Is it possible for the British consulate, in whatever country they are in, to have a list of legal minds—solicitors and barristers—who would have enough knowledge to be able to give advice to people?

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**Mr Lidington:** We do keep and make available lists of solicitors and other legal advisers in all the countries where we have posts, and we usually know whether the practices have people who speak English. What we cannot do is give an assurance about the quality of the legal advice. We can say that somebody has been duly qualified to practise law in a particular

jurisdiction, but it would simply not be possible for our consular staff to grade the relative performance of solicitors in a foreign country.

There are cases—if I may address one of the points raised by the hon. Member for Denton and Reddish—where the British courts have declined to enforce a European enforcement order because they have found, after scrutiny, that the documents had not been satisfactorily completed. Again, looking at the detail of a particular case is of key importance. Other options—this is all on the website—include contacting the various property action groups to share experience, contacting the Competition and Consumer Protection Service, the CCPS, in Cyprus, or considering financial arbitration, which has worked in some cases, although it is not suitable for all.

Although we have not been able to intervene in individual disputes, our high commission continues to be active. In March 2014, we organised a familiarisation visit to London for members of the Cypriot land registry to share our experience in e-applications, insolvency, alternative dispute resolution and complaint handling. The purpose of that is to try to make it possible for the Cypriot land registry to modernise and speed up its procedures, because one of the chief complaints is that it takes people a very long time to obtain the relevant deeds and documents.

The Cypriot land registry has now computerised its land information system in relation to the existence of encumbrances, and the Foreign Ministry in Nicosia has confirmed that land officers must now inform buyers in writing of any outstanding encumbrances on the property. Our high commission part-sponsored an alternative dispute resolution forum conference in October last year, and it organised two visits for the Cypriot financial ombudsman to this country to learn best practice from his UK counterpart. We continue to be active in helping with public sector reform, particularly with the Ministry of Justice and local government, which we believe will ultimately have a beneficial impact on the way in which property issues are dealt with.

We also lobby the politicians. During the past year—in 2014 and 2015—our high commissioner, Ric Todd, has raised the issue of non-performing loans with the Cypriot

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Finance Minister and property-related issues with the Attorney General. Both my right hon. Friend the Foreign Secretary and I have raised property issues experienced by British nationals with the Cypriot Government. I did so with Foreign Minister Kasoulides on 12 March this year, and the Foreign Secretary raised property issues again with him when he visited Cyprus on 17 July.

We have seen an effect. There is now a definite will on the part of the Cypriot Government to try to find ways to tackle property issues. As my hon. Friend the Member for Stone said, on 3 September this year the Cypriot Parliament passed a Bill that will help many British nationals and others affected by these issues. The impact of the Bill will be that purchasers who have met their contractual obligations should now be able to obtain their title deeds, although purchasers who have failed to comply with their contractual obligations will not be able to make use of the new law. Our high commission will of course continue to work with the authorities, and they and Ministers will continue to raise property issues whenever the opportunity arises.

The new legislation does not cover the issue of Swiss franc mortgages, which is an entirely separate issue and one that we advise is a private legal matter. We know that some purchasers have managed to renegotiate their mortgage terms. Some have taken legal action in the UK and other claims have been made to the Central Bank of Cyprus and to the Competition and Consumer Protection Service in Cyprus. Last month, Cypriot MPs asked their central bank to review how Swiss franc mortgages were sold, but it is not yet clear how the central bank proposes to take this forward. Our high commission will monitor developments.

Although there has been progress, we recognise the impact that property disputes have had on many families in Cyprus and the United Kingdom, and that many of the families risk losing their life savings. Those affected should continue to pursue their cases through the Cypriot and, if appropriate, UK courts, although we accept that this can be challenging and that good legal advice does not come cheap. In parallel, we remain committed to lobbying at high level to encourage the Cypriot Government to take effective action to resolve existing problems and to reform the property sector to prevent such problems from occurring in future.

*Question put and agreed to.*

*Resolved,*

That this House has considered the matter of British property owners in Cyprus.