European companies

Icelandic tycoon's loan case is settled

Jane Croft in London and Andrew Ward in Stockholm SEPTEMBER 26 2010

Agust Gudmundsson, one of the main business tycoons behind the rise and fall of Iceland's economy, has settled a lawsuit brought against him in relation to a €7.46m ($10.1m) loan issued by Kaupthing, the failed bank in which he used to be a big shareholder.

A claim filed in the High Court, London, stated that Kaupthing's Luxembourg unit issued the loan in October 2007 to Mr Gudmundsson and his wife, Thuridur Reynisdottir, to finance the acquisition of a chalet and land in the French Alpine resort of Chamonix.

The case shows how, nearly two years after Iceland's bank meltdown, some creditors are turning to the courts for help in recovering money from the "Icelandic oligarchs" who dominated the financial sector.

The disputed loan represents just a fraction of the billions of euros that Icelandic banks lent to their biggest shareholders and related parties in the run- up to the 2008 crisis. But it sheds light on how the banks helped finance the luxury lifestyles and trophy real estate investments associated with several of their main owners.

Mr Gudmundsson and his brother, Lydur, were the biggest shareholders in Kaupthing through their Exista investment company, which was also among the bank's biggest debtors. The London-based brothers are best known in the UK as founders of Bakkavor, one of Britain's biggest suppliers of fresh prepared supermarket food.

They lost most of their paper fortune in the crisis but have managed to keep Bakkavor intact after negotiating a refinancing deal with creditors that allowed the duo to retain management control.

The High Court papers described Mr Gudmundsson as "an Icelandic national and well known international businessman currently resident in the United Kingdom".

The lawsuit was brought by Pillar Securitisation, a special purpose vehicle that took control of Kaupthing's Luxembourg loan book last year.

The High Court claim states that in November 2007, Mr Gudmundsson and his wife drew down the full sum of the loan to buy the French property.

It goes on to claim that the couple failed to make a scheduled payment of €30,908 due in November 2009, resulting in Pillar declaring the loan to be in default and demanding immediate repayment of the entire outstanding €6.558m.

A spokesman for Mr Gudmundsson did not wish to comment on Sunday. However it is understood the dispute has been settled.

Luxembourg was an important offshore base for Kaupthing, one of three main Icelandic lenders nat-ionalised during the crisis.

The Gudmundsson brothers built Bakkavor from a small fish processing business into an international producer of prepared foods – from pizza to sliced fruit – with operations in 10 countries and a turnover of £1.7bn ($2.7bn) in 2009.

Investigators from the UK Serious Fraud Office in January searched Bakkavor's headquarters and several other premises connected with the Gudmundsson brothers as part of a probe into transactions involving Exista. No charges have been brought and the brothers denied any wrongdoing whatsoever.

Legal pressure has been mounting on the main figures behind all of Iceland's fallen banks as creditors file civil lawsuits while an Icelandic special prosecutor investigates possible wrongdoing in connection with the crash.

Jón Ásgeir Jóhannesson, former top shareholder in Glitnir bank and once a big investor in the UK retail sector, was hit in May by a lawsuit from creditors accusing him and others of draining more than $2bn out of the bank.

A report in April from a special parliamentary "truth commission" identified excessive lending to bank owners and related-parties as one of the factors behind the collapse.