

<https://www.dailymail.co.uk/news/article-6993113/British-families-driven-ruin-ruthless-American-firm-MPs-call-Hound-Hell.html>

## British families are being driven to ruin by ruthless American firm MPs call the 'Hound from Hell' selling them loans by trusted names like Lloyds and RBS before chasing £20billion debts

- Cerberus Capital Management has bought the loans of thousands of Britons
- Private equity giant behind investments in firearms and military contractors
- Firm is 'aggressively' chasing the debts to make a return on its investments
- Businesses being closed down and their assets sold off despite turning profits
- Are you a Cerberus victim? Send an email to [william.turvill@mailonsunday.co.uk](mailto:william.turvill@mailonsunday.co.uk)

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PUBLISHED: 07:07 AEST, 5 May 2019 | UPDATED: 11:25 AEST, 5 May 2019



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Cerberus Capital Management, which shares its name with the three-headed dog that guards the gates of the underworld in Greek mythology, has been described by MPs as a 'veritable hound of hell'.

A ruthless American firm run by an ally of **Donald Trump** has bought the debts of thousands of Britons on the cheap and is driving many towards financial ruin, a Mail on Sunday investigation can reveal.

Cerberus Capital Management, a private equity giant behind investments in firearms and military contractors, has bought loan books valued at more than £20 billion from major British banks and the UK Government since the financial crisis.

In many cases, it has snapped up these loans at discounted prices – and is now aggressively chasing the debts to make a return on its investments.

Many borrowers – mostly small-business owners and mortgage holders who originally took out loans with trusted high street names such as Northern Rock and Lloyds Bank – are being forced into complex legal battles to avoid bankruptcy.

Others face eviction from their homes as Cerberus takes a hardline approach to loan terms, despite borrowers insisting that they could keep up their repayments.

MPs last night described the borrowers' ordeal as a 'national scandal', labelling Cerberus as a 'veritable hound of hell'.

Our investigation uncovered:

- Up to 60,000 homeowners trapped in expensive mortgages sold to Cerberus by the Government in a £13.3 billion deal;
- Entrepreneurs who say their businesses were closed down and their assets sold off – even though they were still making a profit;
- Business owners facing attempts by Cerberus to seize their family homes even after their company assets have been confiscated and their businesses sent to the wall;
- How the private equity giant is preparing to buy more so-called 'non-performing loans'.

Cerberus is led by Stephen Feinberg, a 59-year-old Princeton graduate with an estimated personal wealth of £1.1 billion.

His £30 billion private equity firm faced heavy criticism after it emerged that a gun made by one of its companies, Remington, had been used in the 2012 Sandy Hook school massacre in America.

Now Cerberus has turned its attention to the UK and Europe, hoping to profit as banks get their houses in order after the financial crisis.

It has bought at least £6.7 billion of loans from the Royal Bank of Scotland, £2.7 billion from Lloyds Bank and £1.8 billion from the National Australia Bank (NAB), which at the time owned CYBG, comprising Clydesdale Bank and Yorkshire Bank.

Most of the purchases occurred between 2013 and 2014.

In many cases, the business owners who had the loans were struggling to keep up with payments because they had been sold with crippling interest rates attached. A number of individuals allege that these terms were not explained fully to them and as such the loans were mis-sold.

In 2015, shortly after RBS, Lloyds and NAB completed loan sales totalling more than £11 billion, UK Ministers agreed to sell 270,000 Northern Rock mortgages worth £13.3 billion to a consortium led by Cerberus.

The deal to sell these mortgages – which the Government had taken control of after the 2008 bailout of Northern Rock – marked a record sale of UK state assets.



**Cerberus is led by Stephen Feinberg, a 59-year-old Princeton graduate with an estimated personal wealth of £1.1 billion**

After an investigation, the Public Accounts Committee concluded that the Treasury should have 'done more to consider the wider implications of the sale by scrutinising the impact on customers and tax revenues more thoroughly'.

As a private firm with a duty to its shareholders, Cerberus's central aim is simple: to make a return on its investment.

In practice, critics say, this puts pressure on the company to chase repayment with vigour. Unlike banks, Cerberus does not issue new lending to refinance debt, merely acting as a giant debt collector, they say.

Customers are typically told they cannot move to a more affordable deal or extend loan terms – as may have been possible at a bank. And because Cerberus's aim is to run down its loan books until it has collected all debts, it is under no pressure to build a reputation for good customer service.

The result has been what borrowers call an 'uncompromising' approach to their debts – closing down businesses that owners have taken decades to build.

For small firms, this has often meant either the company has been put into administration or it has faced liquidation, with Cerberus selling off their assets and, in some cases, taking advantage of 'personal guarantees' that entrepreneurs gave to their banks. Cerberus has used these to bankrupt individuals and seize their personal assets, including family homes in some cases.

## Trump ally runs firm that's named after mythical three-headed dog

Cerberus, which shares its name with the three-headed dog that guards the gates of the underworld in Greek mythology, is a New York-based private equity firm run by Stephen Feinberg, 59.

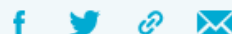
Founded in 1992, it has assets valued at £30 billion, with 770 staff working across 19 offices around the world.

The firm prides itself on keeping a low profile. Mr Feinberg, co-founder and co-chief executive, once joked: 'If anyone at Cerberus has his picture in the paper and a picture of his apartment, we will do more than fire that person. We will kill him. The jail sentence will be worth it.'

Cerberus is probably best known in the US for its investments in military contractor DynCorp and gun-maker Remington, which went bankrupt last

year. In recent years it has turned its attention to Europe, where it has invested billions into so-called 'non-performing loans' such as mortgages on family homes and debts owed by small business owners.

Despite the controversies surrounding his firm, Mr Feinberg has many admirers – not least Donald Trump. President Trump last year appointed Mr Feinberg – whom he described as a 'very talented man, very successful man' – as chairman of his Intelligence Advisory Board.





For tens of thousands of former Northern Rock mortgage holders, the sale has been disastrous because Cerberus, through its subsidiary, Landmark Mortgages, won't improve the rates charged on their loans.

There was fury in the summer of 2016 when Cerberus failed to pass on a 0.25 per cent Bank of England interest rate cut to Landmark mortgage holders. Cerberus defended this by saying it had not benefited from the rate cut.

Today, there remain more than 60,000 Landmark mortgage holders in the UK, with many others having been sold on by Cerberus. In the second half of 2018, Landmark was forced to open 1,394 complaints from its mortgage holders.

Tory MP Charlie Elphicke, who sits on the Treasury Select Committee, said: 'Homeowners across the country are trapped in terrible mortgage deals. At best it means incredibly expensive interest rates. At worst it means hard-working people being hounded out of their homes.'

A spokesman for UK Asset Resolution, an arm of the Treasury that took control of Northern Rock mortgages and agreed to the Cerberus sale, said that a 'key consideration' when selling assets is 'the continued fair treatment of customers'.

Stephen Kerr, Tory MP for Stirling, describes Cerberus as a 'veritable hound of hell', in reference to the history behind its name. Highlighting the predicaments of some of his constituents in Parliament, he accused Clydesdale Bank of selling loans to Cerberus 'henchmen to do the work' of collecting debt.

'Why does Cerberus like to shop here?' he said. 'It is quite simple... Firms can buy a loan book, scour the one-sided contracts for any technical breach and, even if a loan is being serviced, put the company into administration, sell the assets and, if there are personal guarantees involved, go for personal bankruptcy and the family home of guarantors.'

David McIlroy, a barrister at Forum Chambers who has worked with several small businesses dealing with Cerberus, described the firm as a 'vulture fund'.

Mr McIlroy estimates thousands of small businesses have had their loans taken over by Cerberus. He explained that they are often ruined because of punitive conditions banks attached to loans prior to the financial crisis.

He said that, unlike banks, Cerberus typically called in loans as soon as one of these conditions was breached, which it saw as a sign the borrower was struggling.

Last month, Cerberus announced it had raised a fresh £3.9 billion to invest in 'non-performing loans' in Europe and other regions.

Kevin Hollinrake, chairman of the All Party Parliamentary Group on Fair Business Banking, told The Mail on Sunday: 'It is totally unacceptable that regulated UK lenders are able to sell their debt to foreign companies outside the jurisdiction of our regulators. It is a national scandal that must be addressed as a matter of urgency.'

Cerberus last night defended its actions, describing itself as a 'responsible, long-term investor'.

A spokesman said: 'The patient and constructive approach of our loan servicing affiliates has enabled many individuals to remain solvent, and helped many companies not only to stay in business but to grow.'

A source familiar with the company's track record claimed that its workers have had to resort to taking 'enforcement actions' in just seven per cent of loan situations. RBS, Lloyds, CYBG, NAB and Landmark Mortgages declined to comment.

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## **We are trapped paying a crippling 5 per cent interest**

Rachel Neale, 39, husband Adrian, 37, and their two children Jake, 18, and Oliver, 11, are trapped with a mortgage debt owed to Cerberus.

The family live in a £132,000 home in Hinckley, Leicestershire, having taken out in 2006 an interest-only mortgage with Northern Rock, paying the interest on their loan each month but none of the capital.

The Neales hoped to switch to a repayment mortgage, allowing them to start paying off the capital, in 2008. But after the collapse of Northern Rock, they were told this was not allowed and they were stuck with the interest-only deal.



Adrian Neale (pictured left) with his wife Rachel and son Oliver age 11, from Hinckley, Leicestershire have a mortgage with Cerberus Capital Management, which is stuck at a crippling 5.03 per cent

Along with 270,000 others, their mortgage was sold to investors led by Cerberus in 2015 and is now run by subsidiary Landmark Mortgages. Since then, the US firm has failed to offer them a better rate.

Mrs Neale, who suffers from Crohn's disease and cannot work, says her family is stuck on a 5.03 per cent mortgage deal – well above the market average – because Cerberus has declined to reduce it.

The Neales are unable to find a new mortgage because struggles with their existing loan has damaged their credit rating. 'We can't move because we can't get another mortgage.

We can't go into rental because of the credit report,' said Mrs Neale, who heads up a support group for others in the same boat. 'Mortgage prisoners were created when the Government sold our books to Cerberus.'

## **I never missed one bill – but was still bankrupted**

John Guidi saw his property business in Glasgow crumble months after his Clydesdale Bank loan was sold to Promontoria Chestnut, a division of Cerberus.

Mr Guidi's firm, which never missed a payment to Clydesdale, now part of banking group CYBG, was liquidated and he was made bankrupt.

Now he and his wife Ingrid face losing their home as Cerberus seeks to take ownership using the terms of a 'personal guarantee' he agreed with his bank.

Mr Guidi, 63, who has had to fight nine legal cases involving Cerberus since the firm took control of his debt, recently embarked on a hunger strike outside the Glasgow offices of CYBG in an attempt to have the bank's chief executive, David Duffy, intervene in his case.

He blames the bank for his firm's demise because he believes Clydesdale mis-sold him £10 million of loans and should not have then sold them on to Cerberus. Mr Guidi said: 'When I and others like me sign up for a loan and give a personal pledge over a family home of 30 years, I do so with my bank.

'The minute you give that up to someone who is [not] accountable – and you allow that same entity to abuse the legal process – you then have to ask yourself: how can that work?

'It is plain and simply completely and utterly wrong. To say I am in despair and catatonic with rage would be an understatement.'