

## Rejection of Banco Popular compensation case 'confirms' EU bank crisis agency's actions, its chief says

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By [Abhishek Kumar](#)

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The Single Resolution Board, or SRB, opted in 2020 against providing compensation under the Single Resolution Mechanism, a decision that was challenged at the EU's lower-tier General Court by several affected shareholders and creditors.

In a ruling delivered this morning, the court confirmed that they didn't qualify for compensation from the Single Resolution Fund as they wouldn't have received better treatment in the event of the liquidation of the bank. Their property rights were thus not breached, the court said (see [here](#)).

The case was the first opportunity for EU judges to rule on the legality of such a decision as the first judgment relating to the regulation establishing the Single Resolution Mechanism, which is aimed at ensuring resolution of stressed banks without recourse to taxpayer money while promoting financial stability.

Under existing rules, shareholders or creditors can be compensated from the Single Resolution Fund if it is established that they have incurred greater losses than they would have if the company were to enter insolvency.

The court today said that wasn't the case and tackled questions of the bank's valuation.

"The court dismisses the actions, in particular as regards the questioning of the valuer's independence and the failure to respect the right to be heard of the affected shareholders and creditors. It also considers that, in its valuation, the valuer relied on a correct methodology and did not commit manifest errors in the valuation of Banco Popular's assets," it said in its statement.

"The result at the end of normal insolvency proceedings would therefore have been the same as that which resulted from the resolution, with the result that the property rights of the affected shareholders and creditors were not breached.

SRB chair Dominique Laboureix welcomed the ruling, which he said "confirms our decision that affected shareholders and creditors would not have been better off if Banco Popular had gone into normal insolvency."

"Ultimately, the resolution protected financial stability and Spanish taxpayers, and I am glad that the General Court agrees with our position."

Banco Popular was sold to Banco Santander for one euro under a resolution scheme arranged by the SRB in June 2017 after regulators deemed the bank to be on the verge of a collapse erasing billions of dollars of bondholder and shareholder value. The process was endorsed by the European Commission.

Investment funds and creditors holding the bank's additional Tier 1 and 2 capital instruments prior to the introduction of the Single Resolution Mechanism had challenged the SRB's 2020 ruling and sought compensation.

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