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Banco Popular investors to press ahead with legal action

Lawyers say compensation scheme from Santander will not prevent action against others



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18 HOURS AGO by: Thomas Hale in London

Banco Popular's investors are pressing ahead with plans for legal action over the collapse of the Spanish bank despite a €1bn compensation scheme launched last week by rival Santander, which acquired the struggling lender.

Santander bought Banco Popular last month for a symbolic €1 after Spanish and European regulators judged the lender was likely to fail, wiping out the bank's shareholders and junior bondholders.

Cremades & Calvo-Sotelo, a Spanish law firm representing about 2,000 of Banco Popular's investors, welcomed Santander's compensation scheme, but said that it would not be enough to prevent legal action against others, which could include European regulators and Banco Popular's former management. Just two of its clients have abandoned plans for legal action since Santander announced the compensation plan.

The rescue of Banco Popular, which was saddled with more than €30bn of toxic property loans, was the first major test of the eurozone's system for handling failing lenders. But it angered shareholders who bought into the bank's capital raising last year and are the targets of Santander's compensation scheme.

Investors have raised [questions surrounding the failure](#), including how Banco Popular was valued and why it ran out of emergency liquidity so quickly.

Compensating retail investors has been a burning political issue in Spain since the eurozone crisis, inflamed in particular by the case of Bankia, which had an initial public offering in 2011 and subsequently needed to be bailed out. Last year, the state-owned lender said it would [fully compensate retail investors](#).

Javier Cremades, a lawyer representing the investors, said Santander was "not the cause of the damage" to Banco Popular's investors and that the scheme will "relieve the pain of a significant group of shareholders". But he added that "in any case is not going to stop litigation in the European and local level" against other parties.

Santander said last week that it had voluntarily launched the scheme to foster long-term loyalty from Banco Popular's customers, but that shareholders accepting the compensation would also waive the right to pursue legal action against the bank. Santander declined to comment.

Separately, international investors who owned Banco Popular's riskiest bonds have hired international law firm Quinn Emanuel to explore litigation options in a number of jurisdictions.

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