

## Spaniards Fight to Get Savings Back

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MADRID — For Gonzalo López, 77, it has been a lifetime of scrimping on a factory worker's salary, trying to save enough to make sure his brain-damaged son would be cared for even after he was gone.

He and his wife put aside \$87,000. But four years ago, as the economic crisis took hold here, a bank official called Mr. López at home to suggest he move his money into a new "product" that would give him a 7 percent return.

"I asked, 'Is this safe?' " Mr. López said. "I trusted him. He knew the money was for my son."

Today, Mr. López is one of about 300,000 Spaniards who, in the midst of a brutal recession, have seen their life savings virtually wiped out in what critics call a deceptive and possibly fraudulent sales campaign by banks that were threatened by the implosion of Spain's property market. Many, like Mr. López, are older and lack formal education, and were easily misled when bank officials hit on the idea of raising capital and cleaning debts off their books by getting people with savings accounts to invest in their banks instead.

For many of these savers, the first hint of trouble — and understanding that they had bought into risky investments — was when some of these banks essentially failed about two years ago. Overnight, they were unable to withdraw their money.

Soon, they came to understand that they had purchased complex financial products, originally designed for sophisticated investors. They had become creditors, and not at the head of the line, either.

The plight of these small-time savers — who invested \$40,000 on average but have lost a collective \$10.3 billion — has captured headlines and left the country torn about what should be done for them. Some say no matter how unsophisticated they were, they should have known better, especially when they were offered such a relatively high interest rate. They signed pages of documents saying they understood.

But others accuse Spain's savings banks of fraud, by taking advantage of their most vulnerable customers when they already knew they were in trouble and facing possible bankruptcy. Spain's construction boom collapsed in 2008, and according to a recent

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government report, the peak sales of these hybrid financial instruments occurred the next year.

Miguel Duran, a lawyer who is representing about 1,800 investors, including Mr. López, said almost all his clients had been called at home and told to ignore the pages of forms they were signing because the contents were only formalities.

He said even the name of the preferred shares they had been sold, called “preferentes” in Spanish, was deceiving. He said most of the clients believed they were getting a good rate because they, as longtime clients of the banks, were preferred customers.

In the past two years, the Spanish banking sector has been restructured and bailed out by the European Union. Most of the savings banks have been merged or absorbed into the country’s sturdier banks.

But most of those rescued were big international banks and investors, not the small timers who were steered into these risky investments — and who, like Mr. López, have lost about 88 cents on the dollar.

“I have such a sense of impotence,” Mr. López said. “And anger. It is hard to believe that it is all gone.”

Among the unhappiest investors are those who had their money in the seven failed savings banks that were merged into Bankia, a new nationalized bank. Last month, the bank exchanged their hybrid products for shares in the new bank, discounting them by 38 percent as dictated by the terms of the bailout. But once these shares went on the open market, their value plunged to 18 percent of their original value.

Hundreds of these shareholders have taken to [protesting](#) every Thursday night in the Puerta del Sol here, in front of a Bankia building that still bears the signage of the now defunct Caja Madrid savings bank. They chant accusations of fraud, their anger and despair close to the surface. Some are unemployed, behind in their mortgage payments or scraping by on state pensions, badly in need of the cash they had painstakingly saved. Carmen Babiano, 52, and Francisco Margues, 55, come every week, though paying the subway fare is hard for them. Mr. Margues is a bookkeeper, but he has lost almost all of his clients as their businesses collapsed. He has only one client left, who pays him about \$1,400 a month. But by the time Mr. Margues has paid his income tax and health insurance, which is compulsory in Spain, and some basics like his electricity bill, only about \$400 remains for the couple to live on.

“We have been like this for a long time, and it is very hard,” Mr. Margues said. “I really need my money. I need it now.”

But some experts say the small investors may just be out of luck. Federico Steinberg, an economist with Elcano Royal Institute, a policy research organization, believes that the crisis has exposed a lack of sophistication about money among his countrymen, who put

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themselves in the hands of local bankers without understanding that the banks did not always have their customers' best interests at heart.

He said he thought some of these bankers should probably go to jail. Some are [under investigation](#), but not in connection with this disaster.

But Mr. Steinberg is wary of any push to repay the investors. "There is no money," he said. "That is the story here. It is the taxpayer who would have to pay. I would have to pay."

Spain's prime minister, Mariano Rajoy, has said little on the subject, though he asserted recently that the government was "doing everything possible, within the limits permitted by European legislation, to resolve a problem that we did not create."

In recent weeks, the government has set up an arbitration system for Bankia shareholders who believe they were defrauded. Arbitrators will decide whether such investors understood what they were purchasing, by determining, for instance, their degree of literacy. But some consumer advocates warn that the arbitration system may provide redress in only the most egregious cases.

Already, nearly 134,000 shareholders have asked for arbitration. But many others plan to turn to the courts. They say they will file individual claims because Spain does not have a class action system. In the dozen cases that have already made their way to the courts, judges have consistently ruled in favor of the investors.

The Camaño Brazales family hopes that it, too, will prevail in court. Tomás Camaño, 64, had spent 18 years as the doorman at a savings bank when he took the advice of a bank employee he knew well and poured all his savings into the preferentes. His daughter, 27, who went to work when she was 16 years old, invested the money she had saved — more than \$60,000. She has since lost her job in the recession and lives at home with her parents, all of them relying on Mr. Camaño's \$1,600 monthly pension. At one point, Mr. Camaño went back to the bank to confront the saleswoman who had steered him to the risky products. "I said, 'Have you no shame? You said there was no risk.' "

"I was carrying an umbrella," Mr. Camaño said. "I don't know how I didn't hit her in the head with it."

By SUZANNE DALEY

Rachel Chandler contributed reporting.