

Ernst & Young 'covered up judge bribe case'

Senior figures at Ernst & Young covered up allegations that the big four accountant bribed a judge to obtain a favourable outcome in a tax trial, it is claimed.



The allegations were disclosed by former E&Y partner and whistle-blower Cathal Lyons, who is suing the accountant for \$6m for breach of contract

By Jonathan Russell

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A senior partner closed an investigation into a £100,000 “bribe” despite colleagues suspecting the money had been paid to a judge overseeing a multi-million-pound tax case the company was fighting.

The allegations were disclosed by former E&Y partner and whistle-blower Cathal Lyons, who is suing the accountant for \$6m for breach of contract.

He claims medical insurance he was relying on to treat injuries sustained in a car accident was withdrawn after he raised the issue of the alleged bribe with the accountant’s global head office in London.

Mr Lyons was a partner with E&Y’s Russian practice when the alleged wrongdoing came to light. It was originally investigated by James Mandel, E&Y’s general counsel in Moscow. In a witness statement supplied in support of Mr Lyons’s case, Mr Mandel said he suspected the payment may have been corrupt and wrote a report to that effect.

“I had the suspicion that this payment was not a proper payment for legal fees, but was an illegal payment possibly made to facilitate a positive outcome of a tax case,” he claimed in his witness statement.

He suspected that the €120,000 payment via a Russian law firm was made to influence a 390m rouble (£8.4m) court case brought by Russian tax authorities investigating a tax avoidance scheme E&Y was using to pay its Russian partners. E&Y was later cleared of liability in the case.

The accountant has admitted there was an investigation into allegations of bribery, but said the case was closed by Herve Labaude, a senior partner, in January 2010.

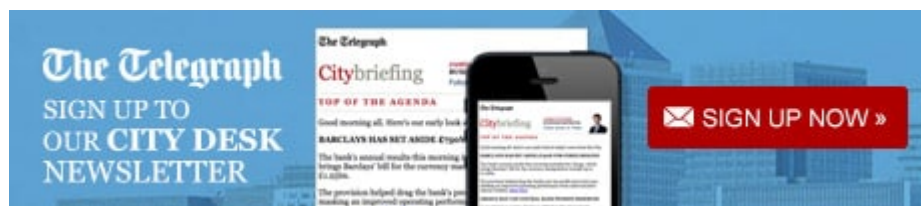
Mr Lyons claims that after he reported his concerns about the case to E&Y’s global head office, his medical insurance was withdrawn and he was dismissed.

In his writ he says the dismissal flowed from “personal animosity against him rising from a discussion in late 2010 between the claimant and Maz Krupski [E&Y’s director of global tax and statutory] regarding alleged corruption by the practice.”

Mr Lyons relied on his medical insurance to cover the cost of treatment flowing from a serious car accident he suffered in 2006. The accident left him with permanent disabilities and partial amputation. It is estimated medical cover in his current condition would cost \$300,000 per year. He is suing for 20 years’ cover, or \$6m.

Mr Lyons is being represented by Kelly Tinkler of lawyers SGH Martineau. In his witness statement he said both Mr Lyons and Mr Mandel were dismissed by E&Y after they “dared to be whistle-blowers”.

An E&Y spokesman said: “Ernst & Young is confident that there is no substance whatsoever to these allegations. The allegations have been thoroughly investigated both internally and externally by a leading international law firm who found no evidence of any wrongdoing. This private employment-related claim will continue to be vigorously contested.”



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