Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: TA | AP Insight

Financial scandal topples Paraguay's president, an ally of Trump



Paraguay's lower house voted unanimously Thursday to impeach President Santiago Peña just minutes after he announced his resignation, as the collapse of a major digital bank tied to his government froze millions of people's savings, sent protesters surging into the streets and turned his own party against him.

The 78-0 vote marked a stunning repudiation of Peña by lawmakers from his long-ruling Colorado Party, who joined the opposition in backing his impeachment after three days of demonstrations rocked the capital, Asunción. The vote sends the charges to the Senate, where a two-thirds majority is required to convict the president and formally remove him from office.

The impeachment came as thousands protested for a third day, as they attempt to recoup lost savings, wages and pensions from Ueno Bank, a major digital lender.

Peña, a close ally of U.S. President Donald Trump, announced his decision in a video posted to X as lawmakers debated his impeachment, saying he was stepping down in the interest of "the stability of our country, social peace and the need to preserve our democratic institutions."

The president, who until last year held a stake in a company related to Ueno Bank, expressed contrition but stopped short of accepting responsibility for the banking crisis that has plunged a South American nation long prized by foreign investors for its stability into financial and political turmoil.

"I also want to apologize to the people if I have failed them at any point," he said. "It was never my intention to betray the trust they placed in me."

The extraordinary turn of events set the stage for a transfer of power later Thursday.

Congress was expected to formally accept Peña's resignation at 5 p.m., clearing the way for Vice President Pedro Alliana to be sworn in as president an hour later.

Alliana would serve out Peña's term through August 2028, with lawmakers expected to choose a new vice president.

From star lender to seized bank

Ueno Bank, which exploded from an obscure finance company to a household name in less than five years, claimed more than 60% of Paraguay's adults as customers.

They are now left scrambling to recoup their savings, government pensions, and, for 7,000 employees impacted by the bank's closure, unpaid wages.

Many Paraguayans are left asking how a bank linked to the president, who until last year had a stake in Ueno's holding company, could grow so rapidly in size and importance despite repeated warnings about its dubious lending practices.

The answer lies in the uncomfortable proximity of Peña's long-ruling Colorado Party to the country's regulators and business elite, a weakness that has endured even as steady economic management and rapid growth made Paraguay a darling of international investors in recent years.

"Santiago Peña and the Colorado Party have stolen all our savings," said Luis Pineda, one of the protesters marching to Congress on Wednesday. "We are fed up with 70 years of plunder."

Soon after winning its banking license in 2023, Ueno seemed to be everywhere in Paraguay.

The digital lender, a rebranded version of a decades-old finance company, lured customers with generous cash-back offers on groceries, grew to more than 70 locations, sponsored Paraguay's national soccer team and plastered its name on the country's main stadium.

> Government money poured into Ueno's coffers under Peña

Government money poured into Ueno's coffers under Peña. He also appointed Carlos Carvallo, president of Financiera Ueno, the predecessor to Ueno Bank, to run the central bank, the agency charged with supervising the digital lender.

As of last month, Ueno reported holding roughly $800 million in public deposits, about a quarter of its total, including money from the state pension and health fund and the operators of Paraguay's giant hydroelectric dams.

Even as retirees' savings and other public money piled up at Ueno, worries were escalating inside the central bank.

In June, its inspectors found a pattern of risky lending to insiders, reported ABC Color, a leading Paraguayan newspaper.

Ueno had extended large sums to companies tied to its owners, beyond what the law allows and without enough collateral to cover the debts if they went bad.

On a single day in September 2025, nearly $39 million had gone to three such companies.

Peña repeatedly brushed off the warnings. As recently as last month, he defended Ueno and the central bank's oversight, dismissing the concerns as a smear campaign that was spooking the public.

Long lines outside branches but customers are locked out

But on Monday, it all came crashing down. Regulators investigating Ueno's loans to companies linked to its owners found poorly documented lending, the central bank said, as well as expenses the bank had wrongly counted as assets.

Once the books were corrected, Ueno's capital, the cushion banks must keep to absorb losses, fell to less than half the legal minimum.

The central bank seized the lender Tuesday and announced plans to move customers' accounts, along with whatever assets still hold value, to other banks before liquidating what's left.



Caption

Ueno's app, cards and transfers went dark and its branches locked their doors, leaving desperate depositors lined up outside with no way to cash out their savings.

On Wednesday, a rush to open new accounts elsewhere crashed other banks' mobile apps, fueling public panic.

Officials appealed for calm and said they had begun repaying depositors, opening new accounts elsewhere for about 280,000 who had banked only with Ueno.

"The banking system is sound," insisted Pedro Acosta Bernal, appointed interim central bank president Wednesday after Carvallo resigned at Peña's request.

Authorities have detained eight senior Ueno executives, including founder Miguel Vázquez and bank President Juan Manuel Gustale.

Prosecutors also charged 27 bank officials and business associates with offenses including breach of trust and attempted fraud.

Lawyers for several of the detained said they needed time to review the allegations before they could comment.

Protesters in the streets

Hundreds of employees of Ueno Bank and other companies belonging to Grupo Vázquez, the bank's parent conglomerate, protested outside the Labor Ministry on Thursday, demanding severance and unpaid wages with their jobs in limbo and their salaries trapped at the failed bank.

A day earlier, hundreds of retirees, depositors, university students and workers flooded the streets of Asunción, the capital.

"We want your head, Peña!" they shouted. Their signs demanded Peña's impeachment, called him "the enemy of savers" and pleaded "Give us back our money." Riot police fired pepper spray and rubber pellets to push back the crowds.

Many demonstrators saw Ueno's collapse not just as the result of risky banking but as a case study in official corruption.

> Only Venezuela ranks worse in South America on the latest index of perceived corruption from Transparency International

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"This is yet another assault on honest, hard-working citizens, people whose small savings are the fruit of years of labor," said protester Belarmino Balbuena.

At the national stadium that once bore Ueno's name, the bank's logo had already been scrubbed away. But across the capital, fresh graffiti denounced politicians as thieves.