

Reports reveal City of London lobbyists have carte blanche

Jean Shaoul
31 July 2012

The Bureau of Investigative Journalism (BIJ) has produced a series of reports on London's financial sector, the lobbyists who work on its behalf and their relations with the core political establishment.

Their revelations provide a glimpse into the mechanisms underpinning the City's profits and the fortunes of their top executives and big investors.

The City has used its economic power to drive the policies of successive governments and carry out economic plunder resulting in increasing unemployment, poverty and social inequality.

One of the main lobbying groups is the City of London Corporation, which, despite being formally the local government body that runs the Square Mile, is exempt from the Freedom of Information Act.

The Square Mile operates as a tax haven for global businesses and can conceal much of their taxable income by means of UK trust law and some creative accounting.

The corporation maintains a £12 million fund for ceremony and hospitality, much of which goes on "banqueting lobbying". For years, chancellors of the exchequer, the chairmen of the Bank of England and the mayors of London have outlined their plans for the economy at sumptuous banquets at Mansion House or the Guildhall.

Compared to the sums spent in the US, British politicians come cheap—the price of a good meal and some champagne.

The corporation has built up an army of corporate and parliamentary affairs lawyers, public affairs officers, 43 media staff and a 50-strong economic development unit that scans international regulatory documents, researchers and lobbyists. It provided much of the input to the government-commissioned Bischoff report on banking that rejected the breakup of the banks.

The corporation also wields power in parliament via its

official "remembrancer", who, in a role dating back to 1571, sits behind the Speaker and checks that legislation does not harm the City's interests.

The current remembrancer is Paul Double, who played a crucial role in the 2002 City of London Ward Elections Act. While the business vote in local government was abolished in 1969, the 2002 Act not only retained the business vote in the City but widened the business franchise so that business votes now outnumber by three to one the residential votes in the City. As such, the financial elite controls its own system of government.

The BIJ obtained documents from the Treasury under Freedom of Information requests that show that Stuart Fraser, outgoing chair of the corporation's key committee, had 22 meetings with Chancellor of the Exchequer George Osborne and senior Treasury officials in the 14 months up to last March.

Fraser complained about how long it was taking for the Financial Services Authority (FSA) to authorise the operation of Chinese and Indian banks in the UK; costs associated with complying with UK regulations; and called for intra-company transfers of staff to be exempt from the government's clampdown on immigration.

The City was instrumental in securing a reduction in Corporation Tax from 25 to 22 percent over three years and a £500 million tax break for insurance companies in the March budget.

The current head of the British Bankers' Association (BBA) is Marcus Agius, the chairman of Barclays. The bank is at the centre of scandal surrounding the illegal manipulation of Libor that sets the global rate to which their own trading bets are tied. The BBA's board is made up of executives from London's top banks, including others believed to be involved in the Libor scandal.

Its newsletter, inadvertently released on the internet, boasted of its success in determining government policy. One major achievement was the Vickers Commission on

banking reform, set up in the wake of the 2008 financial crisis, which proposed merely the “ring-fencing,” not the splitting the banks’ retail and investment arms, by 2017.

The BBA boasted that the government’s 2012 Finance Bill had taken on board a number of its policies following “consultation” with “policy makers”. The BBA held a series of meetings with Conservative-Liberal Democrat coalition government advisors, including Rohan Silva, special advisor to Prime Minister David Cameron, Giles Wilkes, special advisor to Business Secretary Vince Cable, former Conservative director of Strategy Steve Hilton, and Norman Lamb, as Deputy Prime Minister Nick Clegg’s chief political advisor. These meetings do not have to be officially recorded as government ministers and senior civil servants are not involved.

Other issues discussed with key legislators included the pay and reputation of the banks, regulation and the business finance task force.

All this “public engagement” cost the BBA the trifling sum of £5.6 million in 2011.

The BBA courted Labour during its years in power just as assiduously. In 2006, 2008, 2009 and 2010, Labour MP John McFall—now Lord McFall—who for nine years chaired the House of Commons’ Treasury Select Committee that supposedly scrutinises the financial services industry, hosted the BBA’s annual parliamentary reception.

Documents obtained by the BIJ reveal that the FSA, ostensibly meant to police the sector, in fact coordinates the activities of 13 trade groups and directs their lobbying strategies. The FSA focused on any constraints on their profits under consideration by the European Union, such as a transactions tax and rules on greater “transparency”. Like all the industry regulators whose declared purpose is to act as a public watchdog, the FSA is required by law to consider “the competitive position of the UK’s financial services industry”.

Insurance companies successfully lobbied the incoming coalition government to water down arrangements for a not-for-profit pension savings plan, the National Employment Savings Trust (NEST), set up under the 2008 Pensions Act and due to come into force in October. NEST would have provided a low-cost pension for lower paid workers, but the insurance industry opposed it on the grounds of “unfair competition”, even though the Labour government had received clearance from the EU that it did not breach competition rules.

The Big Four global accountancy and financial consultancy firms, PwC, KPMG, Deloitte, and Ernst and

Young, who signed off the accounts of the giant banks and mortgage lenders prior to the 2008 crash, donate their services free of charge to the main political parties. According to the Electoral Commission, the Big Four have given donations in the form of staff costs worth £1.36 million and consultancy work worth about £500,000 since May 2009.

They have at least 15 staff on loan to the Treasury, raising concerns about conflicts of interest. The firms are also major contractors to government as consultants, financial advisors, and IT work.

The close links between the financial elite and the political establishment is exemplified by the family backgrounds of Cameron and Clegg, both sons of millionaire City figures. But the links are also a product of long-term changes in the relationship between all the political parties and City interests.

Until relatively recently the three political parties obtained most of their funding from membership dues and local fundraising activities. With the decline in its membership to a reported 200,000—mainly pensioners—according to the BIJ, the Conservatives’ reliance on the financial services industry for donations has risen from 30 percent in 2006 to more than 50 percent in 2010. Rich individuals, for a £50,000 annual donation, secure the right to meet the prime minister and other senior figures. By 2010, the Conservatives had 57 such backers for whom £50,000 is loose change.

The BIJ’s research also shows that 124 of the 775 members of the House of Lords with voting rights are in the pay of the financial institutions, while sitting on committees that scrutinise issues of interest to the Square Mile. This number excludes those with unpaid advisory positions in financial corporations or lobby groups.

With these rotten and corrupt practices, so long decried in dictatorships overseas, Britain’s financial and economic system produces ever more powerful arguments for its expropriation and reconstitution under public ownership and democratic control.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact