

# British banks engulfed in new scandals

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A parliamentary report released April 5 on the collapse of HBOS (Halifax Bank of Scotland) points to acts of criminality and corruption that go well beyond one financial institution.

Commissioned to provide an account of the bank's demise in 2008, which resulted in a £20 billion taxpayer bailout and the bank being taken over by Lloyds, the report documents the responsibility of the bank's leadership as well as the financial regulators for the collapse.

The Parliamentary Commission on Banking declared that HBOS crashed after a lack of risk controls, rapid and aggressive expansion and poor management, which amounted to a "colossal failure" on the part of bank executives. Particular criticism was directed at HBOS's former head Sir James Crosby, who led the bank until 2006. The inquiry described him as the "architect of the strategy that set the course for disaster." His successor, Andy Hornby, and bank chairman Lord Stevenson were criticised for having been "unwilling or unable to change course" and, in the case of Stevenson, for having been "incapable of facing the realities of what placed the bank in jeopardy from that time until now."

The report touches on only some of the corrupt practices which took place in the financial sector. It notes the complicity of the regulators, including the Financial Services Authority (FSA), in failing to warn of the risks confronting HBOS due to its speculative operations. Although the FSA raised concerns as early as 2002 about the bank's business model, nothing was done to alter HBOS's activity. The report remarks, "From 2004 to the latter part of 2007, the FSA was not so much the dog that did not bark as a dog barking up the wrong tree."

This can be said not just for its treatment of HBOS. Britain's famous "light-touch" regulation, introduced by Labour under Tony Blair and Gordon Brown, facilitated a dramatic expansion of financial speculation

in the years prior to 2008. The report does not mention some of the largest swindles of this period, including the fixing of the Libor inter-bank rate, which involved the major banks and, as evidence last year suggested, even reached the Bank of England.

On Friday, another executive at RBS (Royal Bank of Scotland) was forced to resign his post as head of the bank's Japanese division, after being confronted with allegations that he helped organise the fixing of the Yen Libor.

Nor does the report mention the involvement of the major financial institutions in the laundering of drug money, which acted as a source of liquidity for the banks during the crisis.

The revolving door which exists between the banks, regulators and government has emerged clearly in the wake of the report. Crosby was appointed to the board of the FSA in 2003 by the Labour government, and was awarded his knighthood in 2006. Even in 2008, when it was clear that a crisis was developing, then Chancellor Alistair Darling appointed Crosby to organise a working group on mortgages. Between 2006 and 2008, following his retirement from HBOS, Crosby was deputy chair of the FSA.

Unsurprisingly, when in 2004 allegations of high risk-taking were presented to the FSA by whistleblower Paul Moore, a manager at HBOS, they were ignored. This decision would have undoubtedly involved Crosby as a board member, who afterwards proceeded to fire Moore from his position as head of group regulatory risk at HBOS.

John Griffith-Jones, the new head of the Financial Conduct Authority (FCA), one of the two successor organisations to the FSA, has come under mounting pressure to resign his post. Griffith-Jones was the head of accountants KPMG when they audited HBOS in the years prior to 2008 and gave it a clean bill of health.

Crosby has agreed to give up his knighthood and

forego 30 percent of his annual pension of £580,000. Pressure is building on Hornby and Stevenson to give up a portion of their large HBOS pension packages. Hornby, the chief executive at the time of the bank's collapse, also received £251,000 in a so-called change of ownership arrangement when the bank was bailed out by the taxpayer.

Presented by the media and Labour Party as an example of how bankers are being made to pay for their role in the financial crisis, the response to the commission's report is a desperate attempt by the ruling class as a whole to conceal its involvement in vast levels of criminality and financial mismanagement.

After it emerged last week that seven HBOS executives received bonuses of over £1 million in the same year the bank failed, several parliamentarians called for an inquiry. But such an investigation, should it ever takes place, would be another cover-up to divert attention away from the culpability of the political elite as well as the banks for the crisis.

Labour MP John Mann, a member of parliament's banking select committee, hailed Crosby's actions as a magnanimous gesture which others should follow, even though he will continue to have a pension worth more than £400,000 and have no further action taken against him.

A spokesman for Prime Minister David Cameron declared that it was "a matter for their (the bankers') consciences" whether they followed Crosby's example.

Far from it being a matter "for their consciences", the criminal actions of the financial elite are of deep concern to society and broad masses of working people. The fact that not one banking official has been prosecuted for practices that have brought the entire economy to the brink of collapse is an indictment of the corruption and criminality which pervades economic and political life in Britain and internationally.

Instead of facing criminal investigations, the banks are again handing their executives massive bonuses. On March 20, Barclays announced it was awarding head of investment Rich Ricci £17.5 million of shares, which he immediately cashed in. The bank's chief executive Antony Jenkins received £5.3 million in shares.

This takes place as indications grow that a new crisis is just around the corner. At the end of March, a report by the Bank of England's Financial Policy Committee (FPC) revealed a capital shortfall in Britain's main

banks of £25 billion which it warned needed to be filled by the end of 2013. An article in the *Daily Telegraph* cited anonymous officials at the bank, who "privately point out that dealing with the failure of a major clearing bank today remains as dangerous and difficult as it was back in 2008, when Royal Bank of Scotland and HBOS's near-death experience brought the financial system as close to collapse as at any time in living memory."

The minutes of the latest FPC meeting were published on April 5, the same day as the HBOS report. They noted that concerns existed among some committee members that the figure of £25 billion would be insufficient, and they "were inclined to put in place additional upfront insurance."

As the wider economy continues to stagnate, and with deepening instability internationally, these concerns suggest that Britain's financial institutions could be even more directly exposed to a financial crisis when it breaks out than they were in 2008.



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