Lloyds Bank admits fixing repo rate

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5 August 2014

Britain's Lloyds Bank found a new way to rig the market in order to reduce the fees it paid the Bank of England for its £20 billion bailout in 2008-9. It demonstrates once again that swindling, fraud and criminality are the City of London's modus operandi. And the victims of this bank robbery are working people.

Lloyds, in which the Treasury has a 24 percent stake following the bank's collapse in 2008, admitted that four of its staff had defrauded the Treasury by manipulating the "repo" rate, which determined the fees payable to the Bank of England and thus the Treasury for accessing the government's financial lifeboat for the bank—known as the Special Liquidity Scheme (SLS).

Under the SLS, the banks could swap their worthless loans for UK Treasury Gilts that could be sold for cash. In return, the banks had to pay a fee, supposedly to bring the cost of SLS funding up to the commercial borrowing rate, based upon the repo rate which the banks themselves were allowed to set.

Lloyds and Bank of Scotland (BoS), with whom it merged as part of the restructuring, were the biggest beneficiaries of the bailout scheme, receiving £90 billion between 2009 and 2012 when the scheme closed, for which they paid £1.28 billion in fees, or just 1.4 percent. Even this was considered too much by the bank. They evidently thought they were entitled to a cut price bailout. According to the Bank of England's (BoE) regulators, the bank rigged the rate to reduce the fees paid by £7.8 million, a trifling sum in the scheme of things. But Lloyds' scam in turn reduced the fees other banks paid, always assuming that they too were not fiddling the repo rate.

The Lloyds group is to be fined £70 million for rigging the rate, and ordered to repay £7.8 million, which the BoE said "fully" took into account the loss of fees paid by other banks. Tracey McDermott, the Financial Conduct Authority director of enforcement and financial crime, said that Lloyds had been "biting the hand that was feeding them—the emergency funding they needed to keep running."

Bank of England Governor Mark Carney said, "Such manipulation is highly reprehensible, clearly unlawful and may amount to criminal conduct on the part of the individuals involved," although evidently not the bank itself. It is believed that four people were involved, but none of them were named. Amazingly, three of the four had remained in post till last Monday, when they were "suspended" but apparently not fired. The other is believed to have already left the bank. The refusal to name and shame these crooks is in sharp contrast to the naming and shaming of "failing" teachers and healthcare workers.

Carney said the Bank would "consider" further action against Lloyds and the individuals involved. Lloyds may face investigation by the paper tiger known as the Serious Fraud Office.

But Lloyds' criminality did not faze the London Stock Market. Its share price remained virtually unchanged until Thursday, when Lloyds announced a 50 percent fall in half year profits compared to the same period last year.

At the same time as announcing this latest market manipulation, the BoE also stated that it was fining Lloyds a paltry £35 million for its part in the London Interbank Offered Rate (Libor) scandal, while the United States' authorities were fining it £113 million. Again, none of the 16 individuals were named, and neither they nor any senior officials nor the bank itself are to be charged with a criminal offence. Instead, these unindicted thieves earn millions and millions.

Lloyds was just one of a number of well-known international banks, including Britain's finest, that were found to have rigged the Libor, the benchmark global interest rate to which hundreds of trillions of dollars of financial contracts are tied. It did so to increase its profits and conceal its financial problems.

The actions of the bankers defrauded hundreds of millions of people who pay interest on mortgages, credit cards, student loans and car loans, as well as institutional investors such as pension funds, insurance companies and public authorities, and countless millions of retirees who rely for income on fixed rate investments. It was grand larceny.

So far, Barclays has paid £290 million in fines to the US and UK regulators; state-backed Royal Bank of Scotland was fined £391 million, and City broker ICAP paid £54 million.

The scandal warranted nothing more serious than a parliamentary commission on banking standards, whose recommendations, after consulting with the criminals themselves, include a new licencing regime for bankers and "potential criminal liability under a new offence relating to a reckless decision causing a financial institution to fail." That, as lawyers have said, is worthless because it will be all but impossible to attribute criminal liability to individuals for a bank's decisions.

The rigging of Libor is just one in an unending series of scandals involving the world's biggest banks, including various accounting frauds, insider trading, the forging of mortgage documents, and the fraudulent issuance of mortgage-backed securities that triggered the financial crash of 2008. While Wall Street was the epicentre of the global financial crisis, the financial practices that lay at the heart of the frenzied speculation took place through the London subsidiaries of Lehman Brothers, AIG and MF Global—to name but a few—where such activities were and are unregulated, in keeping with the City's notoriously "light touch" regulation.

Britain's banks are up to the necks in skulduggery. They have had to set aside more than £22 billion to pay compensation to the people to whom they had miss-sold insurance or payment protection, typically added to loans or credit cards without customers' knowledge, or without them fully understanding what it was or whether they in fact needed it at all. Last week Lloyds announced further provisions for Personal Protection Insurance (PPI) repayment. It has the biggest PPI bill of any lender.

British-based HSBC admitted to laundering hundreds of billions of dollars for Mexican drug lords. Once again, no criminal charges were lodged, in this case for activities that contributed to the deaths of tens of thousands of people in the Mexican drug war as well as the flooding of working-class neighbourhoods in the US and other countries with harmful drugs.

These criminal outfits were the very institutions that were bailed out to the tune of trillions in public funds, and continue to be subsidized with virtually free credit, thanks to the world's central banks. Having bankrupted national governments, they are now in the forefront of demanding their bailouts be paid for through the gutting of public services, austerity and the imposed destitution of the working class.