BBC documentary exposes Bank of England's role at centre of Libor-fixing scandal

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BBC TV's flagship *Panorama* programme broadcast tapes revealing how the Bank of England not only knew of, but repeatedly pressured commercial banks to reduce, the London Inter-bank Offered Rate (Libor) during the 2007-08 financial crisis.

Libor is the rate, set in London by the banks themselves, at which banks lend to each other. It then provides the benchmark for domestic mortgages, personal and commercial loans, municipal bonds and a wide range of financial derivatives worth $350 trillion.

In 2012, the US authorities fined leading banks including UBS, Barclays, RBS, Deutsche Bank, Citigroup, Bank of America and JPMorgan, for systematically rigging Libor—both to increase their profits on a regular basis and to conceal the extent of their financial problems during the global financial crisis.

The banks' actions amounted to grand larceny. They collectively defrauded hundreds of millions of people who pay interest on mortgages, credit cards, student loans and car loans, institutional investors such as pension funds and state and local governments, and countless millions of retirees who rely for income on fixed investments. Many homeowners were bankrupted and their homes repossessed as a result of mortgages inflated by the bankers.

The amounts involved are colossal. To cite one example: The city of Baltimore and other US cities filed a class action lawsuit against the banks claiming that the systematic rigging had cost them at least $6 billion, in addition to $4 billion they had paid to unwind interest rate swaps.

Yet under sweetheart deals, the banks were required to pay modest fines that totalled less than Baltimore and the other cities' losses in exchange for being let off without serious repercussions. No senior officials were charged and the banks did not have to plead guilty to any crime. The authorities chose not to pursue criminal charges against the banks for fear of "endangering their stability." Instead, they sought to portray the settlements as a stinging rebuke to the banks, uttering sanctimonious statements about not tolerating misconduct on Wall Street.

These fines followed an article and study in the *Wall Street Journal* some four years earlier, in 2008, that some banks were understating their borrowing costs reported for Libor during the credit crunch. It has since been revealed that it was common knowledge that Libor had been rigged since the early 1990s.

The scandal revealed not only the criminality of the global financial system centred on London, but the massive web of corruption and complicity involving governments and financial regulators the world over, all of whom denied any market rigging by the banks.

While it was known that Bank of England Governor Mervyn King and his deputy, Paul Tucker, knew about the Libor-rigging operation in 2007-08, it was presented as though they had looked the other way and done nothing. The BBC's revelations are the first publicly available evidence showing that Britain's central bank actively encouraged the banks to fix the rate to disguise the extent of the crisis engulfing the system, limit the cost of the government's near £1 trillion subventions and boost bank profits.

In July 2012, Tucker told a parliamentary committee investigating the scandal that until just weeks before, "We were not aware of allegations of dishonesty" in setting the Libor rate.

This was a barefaced lie.

Just a few months later, the *Times* and the BBC revealed leaked court documents showing that Bank officials had been at least aware of, if not complicit in

Libor manipulation since 2007.

According to the *Panorama* tapes, a senior Barclays manager, Mark Dearlove, told a Libor submitter, Peter Johnson, to lower his Libor rates. He said, “The bottom line is you’re going to absolutely hate this... but we’ve had some very serious pressure from the UK government and the Bank of England about pushing our Libors lower.”

When Johnson objected, saying that this would mean breaking the rules for setting Libor, Dearlove replied, “The fact of the matter is we’ve got the Bank of England, all sorts of people involved in the whole thing... I am as reluctant as you are... these guys have just turned around and said just do it.”

That phone call took place the same day that Tucker, at that time an executive director of the Bank of England, phoned Barclays boss Bob Diamond and discussed Barclays’ Libor rate.

Diamond was forced to resign after Barclays received a £290 million fine for massive Libor-rigging, mainly from the US rather than the UK authorities. In response to a question from the BBC, he said, “I never misled parliament and… I stand by everything I have said previously.”

Tucker, deputy governor of the Bank of England at the time, subsequently left the Bank after failing to get the top job in November 2012 and was rewarded with a knighthood for “his services to central banking.” He did not respond to the BBC.

Last year, Johnson, the Barclays Libor submitter, was jailed after pleading guilty to accepting requests from two traders to manipulate Libor, Jay Merchant and Alex Pabon. The two traders and another submitter, Jonathan Mathew, were also jailed, while two others were acquitted last week after a retrial.

In 2015, Tom Mayes, a former UBS trader, was sentenced to a 15-year jail term, reduced to 11 years on appeal, while six other who were accused of aiding him were acquitted. This brings to an end all the Libor-related cases brought by the Serious Fraud Office.

It has also emerged that Sir Jeremy Heywood, the head of the civil service, who held senior positions under the last Labour government before taking a job in investment banking, attended meetings where Libor-setting was discussed, alongside, it is thought, then Labour Chancellor of the Exchequer, Alistair Darling.

Panorama had nothing to say about the broader implications of the Bank of England’s active involvement in criminality that had gone on for years, robbing millions of public institutions and ordinary people all around the world of hundreds of billions, if not trillions, of dollars. It merely pointed out that the involvement of senior people from the Bank of England and Barclays demonstrated that the “little people” were carrying the can for the people at the very top of the ladder, and called into question the jail sentences received by the traders. Indeed, it quoted Diamond supporting jail terms for the Barclays traders on the grounds that they had broken the rules!

The BBC noted that these tapes had only emerged as a result of a private suit brought by a small businessman, Paul Holgate, against Barclays, which had provided him with a loan conditional on an insurance policy, a financial product tied to Libor, which bankrupted him and cost him his home. Barclays agreed to pay him compensation in return for secrecy on the terms of the deal.

Thus, the exposure of criminality at the very top of Britain’s banking and regulatory establishment was the result of a private claim against the bank, and not the actions of the Serious Fraud Office or Financial Conduct Authority. Again, the BBC had nothing to say about the “financial watchdogs”, whose real role is to support and protect the financial institutions.

The financial aristocracy can defraud, steal and plunder with impunity, knowing it will be protected by the thoroughly corrupt political system it controls and uses as its marketing agent around the world. The rampant criminality is not the result of “bad apples.” Illegality and corruption are intrinsic to the system and start from the very top.