

# Personnel Today

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### City bonuses compensate for modest salaries

By Greg Pitcher

Darling warned off tinkering with City bonuses that compensate for modest salaries  
An employment lawyer has slammed chancellor Alistair Darling's plans to crack down on City bonuses.

Darling told the Labour Party conference earlier this week that the bonus culture should be tackled in the wake of last week's turmoil in the City.

But **Ronnie Fox**, principle at employment law firm Fox Solicitors, said: "There is a fundamental misunderstanding on the part of Alistair Darling. In the financial services sector, salaries tend to be modest - often bonuses form a high proportion of total compensation." Fox said that bonuses encouraged and rewarded good performance and were usually proportionate to profit generation.

"Labour politicians seem not to understand that business success and the generation of profit involves taking risks," he added. "Who is to decide if a risk is excessive?"

The financial services sector was rocked last week when Lehman Brothers bank collapsed and HBOS had to be rescued by Lloyds TSB.

Darling told delegates at the Labour Party conference in Manchester: "It is essential that bonuses don't result in people being encouraged to take on more and more risk without understanding the damage that might be done, not just to their bank but to the rest of us in the wider economy."

Meanwhile, the new chairman of the Financial Services Authority (FSA) said it may penalise banks that pay bonuses that encourage excessive risk-taking. Lord Adair Turner told BBC News that the FSA would not regulate how much was paid, but could ask banks encouraging risky practices to hold more capital.