

LAWYERS SAY BONUS BAN WOULD BE ILLEGAL

BANKING
By JOHN KENCHINGTON

LEADING City lawyers yesterday warned it would not be legally possible to withhold bonuses at bailed-out banks regardless of contractual obligations, following a slew of calls from politicians to halt the payouts.

Moves to legislate in Parliament or withhold payment in individual cases could result in a blizzard of painful High Court and human rights cases against the banks, they said.

Gareth Brahams, employment partner at Lewis Silkin, dismissed the idea of cutting all bonuses: "That's simplis-



Lewis Silkin's Gareth Brahams said there is no legal way of axing bonuses for all bailed out bank executives

tic. It will certainly not be possible in all cases."

He said bonuses tend to be "discretionary" but the banks have to prove that any decision to withhold or even reduce them is "rational and without prejudice". "Let's say a bank as a whole has lost money but an employee has made money for the bank and his division has made money for the bank - it may well be irrational for them not to pay a bonus," he said.

He said in addition most contracts promise bonuses based on an individual's performance, so factoring in issues such as the meltdown in wholesale markets, which has contributed to bank losses, to payouts, might also be proven to be "irrational".

Brahams added that many bonuses are "contractual". These tend to be

awarded as a one-time incentive when a firm hires an employee, to compensate for that employee losing out on a bonus for leaving their previous firm. "There is unlikely to be any wriggle-room for the banks to get out of those," he added.

Ronnie Fox, founder of law firm Fox, said in some cases it might be proved that withholding bonuses is "a violation of those peoples' human rights". He said ministers will be forced to "draw back" on the bonus threats due to the lack of legal means of stopping them.

Sharokh Koussari of Matthew Arnold & Baldwin added that bonus law remains fluid saying there are still several untested challenges that could be used by bankers against the banks in High Courts.

Justin Murray of Ferguson Solicitors said: "Any sort of broad-brush attempt to legislate against the discretionary bonuses and there will be a huge



Ronnie Fox said ministers are "trying to bully banks" into a halt on bonuses but will have to "draw back"

amount of court action that would fall on the banks." He added that any attempts by banks to avoid carrying out reviews of employees' discretionary bonuses would be a breach of employment law and would lead to court action. The bonus row continued yesterday, with Treasury minister Stephen Timms insisting executives at the part-nationalised banks will have to submit "reward proposals" before receiving any bonuses.

MORE ON BONUSES: P2

MONUMENT REOPENS



LONDON'S MONUMENT statue was re-opened yesterday after an 18-month restoration project. The 202-foot structure was declared a "symbol of hope" by surveyor Peter Bennett, who was in charge of the £4.5m restoration. A viewing platform has been installed, along with enhanced lighting. The statue, designed by Christopher Wren, was erected as a memorial to the 1666 Great Fire of London. Picture: SUE SALTON PHOTOGRAPHY

BG ups Pure Energy bid

ENERGY
By JOHN KENCHINGTON

UK ENERGY giant BG has boosted its bid for gas explorer Pure Energy Resources by 25 per cent to A\$995m (£454m).

BG Group is now offering A\$8 per share for the Australian firm, trumping a rival bid from Arrow Energy, a partner of Royal Dutch Shell. Arrow and BG are fighting for Pure's coal seam gas reserves, which can be used to supply liquefied natural gas.

GM to ramp up cost cuts

AUTOMOTIVE
By JOHN KENCHINGTON

GENERAL Motors (GM) and Chrysler will today reveal ambitious restructuring plans, as part of their bid to win more US government support.

The Detroit-based carmakers will pledge to increase plant closures, reduce dealers and sell some of their eight brands over 18 months. GM and Chrysler are both fighting for billions more in taxpayer support.

BEATING THE BLUES

KFC SERVES UP NEW JOBS p8

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FTSE 100 ▼4,134.75-54.84 DOW ▼87,850.41-82.3 NASDAQ ▼1,534.36-73.5 £/\$ 1.43 ▼0.01 £/€ 1.11 ▼0.01 €/£ ▼1.28-0.01



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