PRESS CUTTING

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Lawyer Fox tells Treasury select committee remuneration of City bosses is not to be blamed for credit crunch

Bonus culture 'not to blame' for crunch

REMUNERATION

by David Pawsey

City bonuses are not responsible for the current financial crisis, a leading employment law solicitor has claimed.

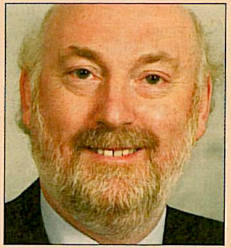
During a heated Treasury select committee discussion on the banking crisis and executive remuneration, Ronnie Fox, principal of London-based law firm Fox, said he failed to see the connection between large bonuses and bank failings.

Mr Fox said: "The difficulty is to link the large amounts of remuneration and the bonus structure with the collapse of financial institutions."

Mr Fox repeatedly defended the bonus culture as MPs questioned why the financial sector should offer rewards of up to three times an executive's salary, particularly when those executives were already on a salary of between £500,000 and £1m.

Nick Ainger, Labour MP for Carmarthen West and South Pembrokeshire, asked why bankers were paid "gob smacking" bonuses at the risk of the long-term safety of the firm when they were not taking on any personal risk themselves.

Mr Fox argued, due to the high turnover of staff in the City and the fact it was a relatively short career – with most bankers leaving before the age of 40 – the risk was job security.



Ainger: "gob smacking"

Mr Ainger said: "Mr Fox, losing your job is not unique to the banking sector. Everyone, particularly those whose pay is judged on their performance risks losing their job. I do not think and generally the general public do not think that the risk of you losing your job warrants a bonus three times your salary."

One panel expert Peter Hahn, academic fellow of the City of London, said the origin of such hefty bonuses had been to maximise shareholder returns, while one MP questioned the long-term sustainability of incentives over the short term.

Mr Hahn: said: "Shareholders would love the combination of short- and long-term incentives because most of our pension money is on a long-term basis and they want to see these institutions prosper and thrive on a long-term basis."

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