

Press cutting

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Bank employees set to sue over cuts in bonuses

By Robert Verkaik
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BRITAIN'S BIGGEST banks face a multimillion-pound legal action brought by their own employees to force them to pay bonuses, *The Independent* has learnt. Claims are being prepared by lawyers representing scores of bankers working across the financial sector who have been made redundant or told they will miss out on awards this year.

The final bill in compensation and legal fees is expected to reach hundreds of millions of pounds.

No bank will escape unscathed in the rush to litigation but state-aided banks such as Royal Bank of Scotland and Northern Rock, told by the Government to axe bonuses, are expected to face the largest number of claims. Barclays which has not received any bailout but announced big bonus cuts yesterday will also be in the litigation firing line.

News of the litigation came on a day that the Government and the Tories both tried to apply moral pressure on bank executives to cut back on bonus payments. The Prime Minister's spokesman said he was "very angry" about suggestions that the RBS - which is 68 per cent owned by the taxpayer - was preparing to pay bonuses of up to £1bn to staff.

Yvette Cooper, the Chief Secretary to the Treasury, said: "City bankers who think sweeping bonuses are justified this year must be on another planet."

David Cameron, the Tory leader, said: "The bankers have to have a bit of a 'smell-the-coffee moment' and recognise, 'Actually, hold on, we wouldn't be here, we wouldn't have jobs, we wouldn't get anything were it



Staff arrive at the Royal Bank of Scotland's London offices yesterday. State-aided banks such as RBS are expected to face bonus claims GETTY

not for the taxpayer standing behind us." The UK's chief City regulator, the Financial Services Authority, is investigating pay and benefits structures in the City. It is due to publish the results of the review being carried out by its chairman, Lord Turner, next month.

Barclays, which did not take public money during the bailout of the banks last year, said yesterday it was cutting its bonus payments for 2008 by 48 per cent compared to the previous year. John Varley, the bank's chief executive, said: "The more senior the people, the greater the reduction [in bonuses] would be," with Barclays' investment banking operation believed to be suffering particularly large cuts.

But bankers are challenging both the

failure to pay so-called "guaranteed" bonuses and discretionary award schemes that pay out millions of pounds each year in recognition of employee contributions to the business.

Ronnie Fox, one of the City's leading employment lawyers, is representing a number of high-profile bankers who have instructed him to prepare legal action to safeguard their bonuses.

Mr Fox, a member of the Law Society's remuneration committee, told *The Independent*: "I have been advising senior bankers about their positions in the banks and the payment of bonuses. Bankers are now talking about suing for these bonuses. Some of them are very concerned and upset. The most aggrieved people are those who

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performed well and did make significant profits for the banks but have lost bonuses and sometimes their jobs."

He said one senior executive he is advising was made redundant when his department suffered big losses. "But he had devised a strategy which has turned losing positions into profits. Now he is taking legal action," said Mr Fox.

Senior board members in charge of bank strategy will not be able to bring claims because they cannot claim to have contributed to a profitable business. But managing directors, vice-presidents and associates working in profitable departments such as emerging markets, fixed interest and currency trading, will have much stronger cases.

Lawrence Davies, who has advised senior bankers in seeking or accepting discretionary seven-figure bonuses, said: "Good performance should be rewarded. Even in failing companies there are expert 'firefighters' working fanatically hard to prevent financial disaster. These people should be rewarded for their efforts. Those culpable senior executive should be dismissed without any financial recompense."