

City says FSA plan to tear up bank contracts is unlawful

► BANKING

By VICTORIA BATES

EX-ROYAL Bank of Scotland chairman Sir George Mathewson yesterday added to City concerns over government plans to hand the Financial Services Authority (FSA) the power to rip up bankers' pay contracts, labelling them "dangerous".

Speaking on the BBC, Mathewson said it was "sad" to see a political

move to threaten the banks even as the UK moves out of recession.

"Interfering with contracts that have been reached between willing participants is a somewhat dangerous route to go down," he said.

The stark warning came after the City's legal community warned the policy is unprecedented in UK law.

Ronnie Fox, head of law firm Fox, said: "If contracts are torn up, the UK has abandoned the rule of law and a

free market economy."

Denton Wilde Sapte banking partner Brett Hillis said: "This goes against the idea of a free market employment contract. The FSA has powers anyway – it can alter capital requirements if it is not happy with remuneration policy – so I question if it is necessary."

The legislation, which strengthens the FSA's current code on remuneration, will be unveiled in the Queen's Speech to Parliament tomorrow.



Mathewson called the FSA plans "a dangerous route to go down" Picture: PHOTOSHOT