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Financial crisis: Gordon Brown says bank chiefs should carry the can

The Prime Minister has warned the directors of banks they should be "held responsible" for the failures that have sent shockwaves through the global financial system.

By Russell Hotten, Industry Editor

PM Gordon Brown in broadside against UK banks Photo: Paul Grover

In his Labour Party conference speech, Gordon Brown hinted at regulation to curb City excesses and risk-taking, saying financial markets must be "servants of the people and never their masters". Mr Brown, in New York today for an emergency meeting with financial and government leaders, said it was time for market regulation to become global as part a "new settlement" to avoid a repetition of the crisis.

He criticised the lack of responsibility among bank directors, and called for more transparency. "No member of a bank's board should be able to say they did not understand the risks they were running and walk away from them," he said. "All transactions need to be transparent and not hidden." And there was more criticism of the City's bonus culture. Rewards should be based on "hard work, effort and enterprise" not on "short-term speculative deals", Mr Brown said.

Mr Brown will call today for global regulation. "Because the flows of capital are global, then supervision can no longer just be national but has to be global. And if we make these changes I believe London will retain its rightful place as the financial centre of the world.

"In truth, we haven't seen anything this big since the Industrial Revolution. This last week will be studied by our children as the week the world spun on its axis and old certainties were turned on their heads," Mr Brown added. Governments must stabilise financial markets "and then rebuild the world financial system around clear principles".

Analysts doubted that bank directors could be held to account, because no one apparently broke any rules. "The reality of the situation is that no heads can roll," said Howard Wheeldon at BGC Partners. "The problem was that we believed we were being regulated, but those regulations did not have teeth."

Employment law expert Ronnie Fox, of Fox Solicitors, criticised Labour's attack on the bonus system. "Bonuses reward good performance and are usually proportionate to the amount of profit generated. Labour politicians seem not to understand that business success and the generation of profit involves taking risks. Who is to decide if a risk is 'excessive'? It is impossible to achieve business success without taking risks".