

Press cutting

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10 February 2009

The law that could protect bank executives' rewards for failure

By James Chapman

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Labour's human rights laws are preventing a legal crackdown on City bonuses, the Daily Mail has learned.

Ministers fear any move to strip bank executives of pay and perks already agreed would be overturned in the European Courts.

The Human Rights Act guarantees the right to property and possessions.



Officials are trying to persuade the Royal Bank of Scotland to rein in its pay and perks. Ministers fear that an attempt to remove them would be overturned in the European Courts

A Treasury source said: 'It wouldn't stand up in the European Court of Human Rights. We can't come along and say we're legislating to override someone's employment rights.'

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Chief Secretary to the Treasury Yvette Cooper said it would be difficult to compel banks to scrap all bonuses because some staff already have extra payments as part of their contracts.

Instead, officials are trying to persuade the Royal Bank of Scotland - which is now 68 per cent owned by the taxpayer - to rein in its pay and perks.

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They hope to agree a £25,000 cap on bonus handouts and a reduction in the overall bonus pot of around two-thirds.

Ronnie Fox, an employment specialist at Fox Lawyers, said: 'The Government could pass a law to change contractual rights to remuneration and bonuses already accrued.

'But there would be a challenge under the Human Rights Act if the Government tried to do that.

'It would be deemed to be taking people's property and possessions away, just like pinching somebody's house.'

Tory treasury spokesman David Gauke said: 'Now we know why the Government has been dithering on bonuses - their hands are tied by their own laws.

'Only this Government could think that it is someone's human right to be paid a £1million bonus for failure.

'It is time that the Government came clean and admitted that it is because of the Human Rights Act that failed banks are being allowed to award big bonuses.'

Lib Dem Treasury spokesman Vince Cable said the Government should simply dismiss anyone who tried to take legal action to preserve their bonuses at banks partially owned by the taxpayer.

'My view would be "yes indeed, if you want to take us to court take us to court, but there's the door - please leave",' he said.

'The Government as employer has got to be very tough about this. All that is being asked now is people who are being paid extremely large amounts of money by publicly supported and financed banks cannot continue to behave in the way they did.'