

PRESS CUTTING

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The sad, sad shrivelling of the investment banking redundancy package

Sarah Butcher

It used to be the case that investment banks were as indulgent with their severance payments as they were with their bonuses: everyone got them; one month per year of service was the norm; some people got pro-rated bonuses; and there was usually a three month consultation period.

Nowadays, it seems that bankers who are made redundant are being treated far less lavishly.

"People aren't getting great packages," an MD at one European bank tells us. "It's gone down to 5-10 days' salary for each year of service. It used to be a month for every year.

"They're also trying to let go of less than 99 people at a time so they only have a month's consultation period," he adds.

Two employment lawyers confirm the outbreak of stinginess.

"From what I have seen, the redundancy packages being offered by investment banks are worth significantly less than they used to be and the consultation process is being ignored," says Charles Ferguson at Ferguson Solicitors.

"People are receiving significantly lower payoffs," agrees **Ronnie Fox at Fox Lawyers**. "The world is not what it was and banks are becoming meaner and more accountable to their shareholders," he suggests.

Nor is this mitigated by higher salaries

Higher investment banking salaries should help counterbalance banks' decision to pay a lower proportion of annual salary for each year of service. But they won't compensate for the reduction entirely.

For example, an employee with five years' service and a salary of £100k who receives a whole month's pay for each year he's spent at the bank will walk away with a £41k severance package. But an employee with five years' service, a salary of £250k and a severance package of 10 days' pay for each year with the bank, will walk away with just £35k.

The allegations of gross misconduct

To make matters worse, Ronnie Fox says banks are accusing people of gross misconduct in order to avoid having to make redundancy payments entirely.

"I've got two cases at the moment, where banks went through everything employees had done in great detail, simply in order to find something that would allow them to make a dismissal for misconduct," he claims.

Forwarding a work email to a personal email address can be enough for a bank to argue gross misconduct says Fox. In cases where gross misconduct is alleged, not only can a bank dismiss you with no severance pay, it is also under no obligation to give you your deferred stock.

The dubious selection processes

Philip Landau at Landau Zeffertt Weir Solicitors, says he's already receiving enquiries from people who've been let go from investment banks.

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Unlike the previous two lawyers, Landau says he *hasn't* seen a significant diminution in redundancy packages.

He says a lot of the cases he gets are from people complaining about the process by which they were selected for redundancy: "Often they will have had a decent appraisal only a few months beforehand, and then surprisingly receive a low scoring in the redundancy process leading to their termination of employment."