

Called to account - Ethics of British banking



The Barclays rate-fixing scandal has refocused attention on the behaviour of Britain's banks. Here, a whistle-blower who exposed excessive risk-taking at HBOS argues that only a mass movement of social renewal can address the root causes of the crisis

Less than two years ago, Marcus Agius, who on Monday resigned as chairman of Barclays Bank, was the lead signatory to a letter in the Financial Times headlined, "Financial leaders pledge excellence and integrity". In it, Agius and 16 other leaders of the UK banking and financial sector committed themselves personally to fostering a culture based on professionalism and integrity. The letter followed several private meetings organised by Archbishop Vincent Nichols of Westminster with top financial sector people to discuss whether there had been a "moral dimension" to the banking crisis in the light of Pope Benedict XVI's encyclical *Caritas in Veritate*.

I was personally involved in helping to brief the archbishop's advisers in relation to these meetings, and was full of faith and hope that they might lead to real change. I believed that the banking crisis contained a message of hope for us all and that we could use it to free our world from the slavery of the love of money and selfishness.

When Agius, a Catholic, sent the letter, we now know that Barclays was already being investigated by the Financial Services Authority (FSA), US regulators and other law-enforcement agencies for deliberately fixing Libor (the London Interbank Ordinary rate). Along with the Bank of England base rate, Libor is probably the most important interest rate used in the market by banks and other lenders to determine what rate of interest they should charge their own customers. But Agius did not come clean about the matter. The clear inference from the time it took to become public this week is that he, and Barclays' then chief executive Bob Diamond, who has also now quit, were leading their bank in an

expensive and disputed investigation with the FSA, no doubt using all the clever lawyering power at their disposal.

In similar vein last November, when Diamond must have known that Barclays was on the verge of being formally disciplined by the FSA for Libor fixing, he delivered the inaugural BBC Today Programme Business Lecture, in which he stressed the crucial importance of rebuilding the trust he said had been decimated by events of the past three years. He declared that bankers must place the interests of their customers “at the very heart of every decision we make”.

The difference between what Agius and Diamond said then and what has now happened must seem almost unbelievable to most ordinary people. It is to me. It must leave many of us asking whether, as high-profile Catholics, they ever truly examined their consciences closely with their priests and spiritual directors.

Of course, the Barclays affair is not the only nasty news about banking at the moment. There's interest rate swap mis-selling to small and medium enterprises (SMEs). There's HBOS and Farepak Christmas savings club and the way HBOS knowingly took security over Farepak depositors' money and then took that to pay themselves back first. So what should we do about all these problems with banks and financial sector giants? We clearly have not got to the bottom of things or fixed them yet.

Although I believe there are important secular solutions that will address these problems, I am also sure that none of them will work without a fundamental moral and ethical transformation of society from its addiction to the “isms” – reductionism (only atoms and science counts), secularism, - materialism, consumerism, individualism, celebrity-ism and moral/ethical relativism. These things are presented to us as all about freedom and happiness but they are, in reality, a form of spiritual slavery.

On the secular front, as I stated last month in evidence to the Treasury Select Committee in relation to its new inquiry into “corporate governance and remuneration in systemically important financial institutions”, the whole banking system is broken and needs total reform. As we have still not carried out a thorough, rigorous and transparent investigation into the causes and implications of the banking crisis, we have built our reform agenda on sand. The only way to get to the bottom of what caused the crisis – and resolve what we need to do to ensure it does not happen again – is to carry out a thorough, forensic and transparent judicial investigation as we have done in other areas of public importance, such as the collapse of Equitable Life, the decision to wage war in Iraq, and Leveson. Preferably, we need a royal commission.

We must change the fiduciary duties of directors of large and publicly quoted companies to include public duties, so that they are legally obliged not to focus solely on short-term profit. The current fiduciary duties do not adequately reflect the societal importance and impact of such large organisations.

Many global companies now have balance sheets larger than those of sovereign governments. Current fiduciary duties permit (or even require) directors to focus almost all their attention on short-term profit because of the demands of the investment analysts to deliver more and more growth in shorter and shorter time frames. Driven by this short-term focus, the chief executives and their teams really have no choice but to push the boundaries of risk-taking to achieve short-term financial priorities. And, despite protestations to the contrary, it is also the case that, to hit their targets, executives push the boundaries of the civil, regulatory and criminal law and ignore the basic social ethics of integrity, fairness, compassion and responsibility.

We need a total overhaul of corporate governance, including the introduction of a formal, non-executive role accountable for oversight, assurance and ethics. We need a continued rigorous and transparent focus on the competence and independence of non-executive directors. We should introduce a rigorous, transparent register of connections and contacts between non-executives and the companies and directors they oversee. Existing directors of FTSE 250 companies should be banned from sitting as non-executives on other FTSE 250 companies. There should be new whistle-blower - protections generally and specifically for those in charge of risk, compliance and internal audit in large and publicly quoted companies.

Proprietary trading, often known as casino banking, should not be permitted as a banking activity. Proprietary trading is not banking business; it is investing business. In large investment banks, it is also tantamount to market manipulation through the abuse of a dominant, anti-competitive position that investment banks hold in information (often obtained through abusing conflicts of interest), mathematics and computer science. We need to do much more work on excessive remuneration. It is frankly immoral that FTSE 100 chief executives increased their pay last year by 12 per cent as the rest of society suffered the austerity caused by the greed of bankers in the first place.

But these, and many other secular solutions I set out to the Treasury Select Committee, are only a small part of what needs to change. The fundamental problem has arisen because society's leaders – political, business, celebrities and the mass media – have led us to believe that peace, joy and well-being are all about a culture of “Me, more, now”. The love of money and me is at the centre of everything we do. We (and I include myself here) have become mesmerised by and addicted to the

deadly sins of pride, greed, vanity, envy, gluttony and lust. In the endless search for more growth for ourselves, we have no choice but to take from everyone else and destroy our planet at the same time. After 400 years of capitalism, 40 per cent of the world's wealth is owned by 1 per cent of its people, leaving only 1 per cent of the wealth for the poorest 50 per cent. We spend more money on ice cream in Western Europe than it would cost to feed the entire world, and I believe that the same is true of pet food. The three richest people in the world own more assets than the 600 million poorest.

I feel energised by the sentiment expressed by people I meet every day who want a massive change in the world. If we really want to solve the problem of banks and bankers, it is time for us all to work together for this change. Pope Benedict's encyclical *Caritas in Veritate* contains a divine analysis of the problem and a divine blueprint for the future. I believe that all people of goodwill, especially Christians, have had a dream for many years that if we share our experience, strength and hope, as well as our combined knowledge and skills, we really can reach out and start a new popular movement that will build a better world. I believe that all the problems with banking are meant for God's good.

If the zeitgeist, or as I prefer to call it the Holy Spirit, is upon a moment in history, it is not so much about making the technical argument as about joining all the dots and starting a popular, peaceful movement for recovery, renewal, reconciliation, reformation, renaissance and, ultimately, redemption. It is political but not party political. We need to move on from the politics of Left and Right to the politics of plain old right and wrong.

There are countless organisations on the same journey, and millions and millions of ordinary people. We need to work together to provide leadership and join them together around one common agenda, including, in the UK, the governor of the Bank of England, the Archbishop of Canterbury, the Archbishop of Westminster and other top leaders. My own fervent prayer for this moment in history is that this year will mark the time when we all start working together to build a popular movement for change to help abolish our modern-day slavery, the spiritual slavery of "me, more, now".

William Wilberforce was one of the world's greatest Christian politicians and social and moral activists. He worked tirelessly for the abolition of physical slavery and many other causes at the heart of Christian social justice. In the hope of receiving Wilberforce's inspiration, a few of us are about to launch the New Wilberforce Alliance, whose objective will be to mobilise a mass, peaceful movement of people and organisations to work "to free the world from the slavery of greed, with its addiction to excessive growth and consumption for the few and the consequential human misery and environmental destruction which that inequality causes for the many".

There will obviously be a lot to do; we will be up against virtually the entire establishment of vested interest. Perhaps Marcus Agius and Bob Diamond, and others from Barclays, could be persuaded to become founder members? In the end, whatever they have done, we must forgive them because we know that they, like most people who work in banking, are good and honest, but have just been caught up in a system that has encouraged them to do things that they are know, in their hearts, are wrong. Let's now work together to change our society for the common good. Let's connect with millions, share our experience, strength and hope and build a better world – together.

As Pope Benedict said so beautifully in paragraph 71 of Caritas: “Development is impossible without upright men and women, without financiers and politicians whose consciences are finely attuned to the requirements of the common good. Both professional competence and moral consistency are necessary. When technology is allowed to take over, the result is confusion between ends and means, such that the sole criterion for action in business is thought to be the maximisation of profit, in politics the consolidation of power, and in science the findings of research.”

Anyone interested in joining the New Wilberforce Alliance should email
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