ShareSoc
UK Individual Shareholders Society

PO Box 62, Chislehurst, BR7 5YB
Phone: 020-8467-2686
Email: info@sharesoc.org
Web: www.sharesoc.org

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Press Release

ShareSoc comments on the Barclays LIBOR rate manipulation debacle and Diamond's pay.

Sharesoc, the UK Individual Shareholders Society, believes the announcement by Chancellor George Osborne of an inquiry into Barclays Bank and other banks' LIBOR rate manipulation to be chaired by Andrew Tyrie, Chairman of the Treasury Select Committee is a step in the right direction.

However, the Society contends that this rigging of the market is but a small part of the ongoing banking fiasco, the seeds of which were first sown some twenty or more years ago.

David Blundell, Chairman of the Bradford & Bingley shareholder action group (BBAG), and a Director of ShareSoc comments: "*It would appear that Bob Diamond of Barclays is being lined up as a very convenient and high profile scapegoat, when the reasons for the banking crisis were a culture of spiralling greed and false accounting, which was unchecked by the authorities until it was too late*."

The three main reasons for the banking crisis were as follows:

(1) The total failure over many years of the tripartite regulatory authorities, namely HM Treasury (HMT), the Financial Services Authority (FSA) and the Bank of England (BoE) to control the obvious excesses in the market place. "*It is interesting that they are currently pointing the finger of blame at everyone other than themselves*," notes Blundell. The Government's policy of "light touch" was another significant factor.

(2) Uncontrolled bonuses and generally excessive remuneration in banks that encouraged a culture of risk taking instead of prudent management. Unfortunately the adoption of "*pay for performance*" encouraged this trend combined with accounting standards that did not recognise profits correctly. For example, Bob Diamond has collected the obscene figure of about £120 million in remuneration since becoming a Director of Barclays and may be in line for a further amount of over £15m following his departure.

(3) The endorsement by the Government and the European Union (EU) of the International Financial Reporting Standards (IFRS) and IAS 39.

Arguably the last point was one of the main causes of the banking meltdown in 2007-2008 as the IFRS loan loss model of "incurred loss" is known to be faulty and had devastating financial consequences in the UK and Ireland.

Roger Lawson, Chairman of ShareSoc, adds: "*Sharesoc believes it is imperative that we learn how these defective standards were adopted as IAS39 never did nor could show a true and fair view under English law, which relates to the integrity of the accounts of which capital maintenance is the critical factor*. *At the time the Government appears to have ignored all this as it was content to secure substantial tax revenue from what has proved to be the false profits of the banking companies*. *But it is equally important to change the culture and the remuneration policies in banks*"

Blundell adds: "*Successive Governments' failure to act has assisted in the creation of a culture of greed and dishonesty, an ascending spiral of misfeasance, which has brought the UK to its financial knees. The cleansing of the system and the restoration of the City of London's reputation is long overdue*."

For further information, please contact:

Roger W. Lawson,
Chairman, ShareSoc
Telephone: 020-8467-2686
Email: info@sharesoc.org

Or Stan Grierson, ShareSoc, on
Telephone 01628-522514

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About the UK Individual Shareholders Society (ShareSoc)

ShareSoc represents and supports individual investors who invest in the UK stock markets (and who own over 10% of the shares in UK public companies in aggregate). We are a mutual association controlled by our members with "not-for-profit" articles and incorporated as a company limited by guarantee. The organisation is financed by member subscriptions, donations from supporters and by the services it provides to members. Associate Membership of ShareSoc is free and is open to everyone with an interest in stock market investment (go to www.sharesoc.org/membership.html to register). More information on ShareSoc can be obtained from our web site at www.sharesoc.org (our objects are fully defined on this page: www.sharesoc.org/objects.html).