

Labour vows to hold public inquiry into UK financial sector

McDonnell says City has failed to reform after string of scandals

Jim Pickard in London FINANCIAL TIMES 2 August 2019

An incoming Labour government would launch a public inquiry into Britain's financial industry to "reveal and root out corruption", under a plan being drawn up by shadow chancellor John McDonnell.

He wants to hold a 12-month public inquiry, set up under the 2005 Inquiries Act, to take evidence under oath into misconduct in the financial sector.

Mr McDonnell will argue that the City of London has failed to clean itself up since the financial crisis of 2007-08, citing a string of recent scandals including the Woodford Equity Income Fund, London Capital & Finance, HBOS and the Global Restructuring Group of RBS.

"It will put the facts on the table, get immoral and unlawful practices out in the open, and make clear what needs to change for finance to serve people and the wider economy," Mr McDonnell told the FT.

With expectations of a general election within the next year growing, the news is likely to unnerve executives in the City who may already be nervous about a potential Labour government.

The inquiry would be modelled on the [Australian Royal Commission into Banking, Superannuation and Financial Services](#), which held seven rounds of public hearings and received 10,323 submissions.

The Australian report, delivered in February 2019, found widespread examples of banks charging fees for no service, lying to regulators and costing customers hundreds of millions of dollars through poor advice. It made 24 referrals of financial institutions and individuals to regulators to consider further action, including potential criminal or civil prosecution.

Mr McDonnell has drawn on a new paper written by Prem Sikka, professor of accounting at Sheffield university, which calls for a public inquiry.

Mr Sikka wrote that the finance industry had been "a law unto itself" for too long and its "corrosive practices" needed to be dealt with. "The industry has been its own worst enemy and continues to undermine public confidence in its activities through a never-ending stream of scandals and malpractices."

He said the inquiry could recommend various changes whether to financial products or practices, reforms to the regulatory architecture around the financial sector or changes in the “governance and remuneration” of the industry.

It would look at the entire sweep of the Square Mile, covering traditional banks, insurance firms, asset managers, broker-dealers, financial advisers, building societies, private equity, hedge funds and pension funds — as well as regulators, lawyers, accountants and other advisers.

The inquiry would invite evidence from members of the public, regulators and workers in the financial industry.

“We’ve seen scandal after scandal in the finance industry since the crash, whether it’s the failure of Woodford Equity Income Fund, the collapse of LC&F, or the HBOS fraud,” said Mr McDonnell

He added: “We need to, and will, get to the bottom of this. We need to put the facts on the table, get immoral and unlawful practices out in the open, and make clear what needs to change for finance to serve people and the wider economy.”