

# The time for remorse is now as

Joe Murphy and Simon English

BOB DIAMOND will be told to give a contrite apology for the rate-rigging scandal when he appears before a committee of MPs next week.

The Barclays chief executive, who was paid £18 million last year, was accused of arrogance 18 months ago when he brazenly told MPs that the "period of remorse" for the banking industry should come to an end. Now members

## Barclays boss warned to be humble when he faces Treasury committee

of the powerful Treasury Select Committee will make him eat his words when he comes before them again to be questioned about the disclosure that Barclays staff fixed the interbank lending rate to make millions.

Conservative MP Andrea Leadsom, a

former head of corporate governance at Invesco Perpetual, said: "He is going to have to apologise for what has been despicable and completely unacceptable behaviour at his bank."

"I do not think the banks really appreciate how shocked and angry the

public are, or the sense of betrayal they feel."

City fund managers today warned that it was impossible for them to buy shares in Barclays until Mr Diamond resigns.

With pressure on the bank and its board rising in the wake of this week's interest rate fixing scandal, even fans of Mr Diamond said that the issue would keep hitting the stock, damaging investors including pension funds.

Asked if he should resign, Mrs Leadsom said: "He has got a lot to answer for. He is going to have to work very hard to convince members that he is not at fault."

She said it was extraordinary that Mr Diamond claimed to have had no idea what was going on: "Why is a man paid so much money to oversee internal procedures yet did not consider this could happen? Why did the bank not have effective internal procedures?"

MP Pat McFadden, a Labour committee member and former minister, said Mr Diamond had to name exactly who knew and when: "And if he did not know, the question he must answer is why not?"

"He has got to acknowledge too that his statement last year that it was time for banks to stop apologising was wrong and that it is now time for not only some humility but a complete culture change at the banks."

In January last year, Mr Diamond told the committee: "There was a period of remorse and apology for banks and I think that period needs to be over. We need our banks (to be) willing to take risks... so we can create jobs."

On Wednesday night, as the Libor fixing scandal broke, he showed some humility by foregoing a bonus and saying: "I am sorry that some people acted in a manner not consistent with our culture and values."

Last night, Mr Diamond sent a letter to committee chairman Andrew Tyrie that insisted "this inappropriate conduct was limited to a small number of people relative to the size of Barclays" – but admitted "control systems in place at the time were not strong enough". Mr Diamond has reportedly said he will not quit.

There have been calls for Barclays chairman Marcus Agius to carry the can by stepping down. However, Alan Miller of SCM Private, one of the best-regarded fund managers in the City, said: "Instead of being tempted to do the cowardly thing by sacrificing his



Facing the music: Barclays chief executive

Bob Diamond is under pressure from City fund managers to resign

own chairman Diamond should go himself. Only by changing the endemic 'abuse the customer' culture embodied at the very top of major banks will anything change."

Jane Coffey, the head of equities at Royal London, an insurer which manages savings of £40 billion, said: "I would not be surprised if he goes over time. I would not expect him to resign this weekend."

She added that there needs to be a further investigation into what execu-

tives knew and when they knew it.

Barclays shares have halved in the past two years from around 330p to just 166p today and investors say that with litigation looming they cannot recommend buying the stock.

Gary Greenwood at Shore Capital, in a note titled Banks Behaving Badly, today advised clients to sell Barclays shares. He said: "The threat of civil litigation is the main risk to future bank share price performance."

One stockbroker, speaking pri-

vately, said: "In an age of scrutiny, the ugly truth is emerging of just how callous and manipulated the markets are. Diamond and his board are at the apex of this culture and should all be held to account criminally for their actions. A resignation is the very least we can expect."

One bank analyst said: "Bob has been far too optimistic throughout the crisis, not just 'the time for remorse is over' stuff last year, but also before then... there are a lot of

fund managers who don't own Barclays because they don't think that banks should be run by optimists at the moment."

Campaigners are calling for an overhaul of the City's "toxic culture". Tony Greenham, head of finance at the New Economics Foundation, said: "The danger is that Bob Diamond will become a sacrificial lamb, with calls for his resignation overlooking the urgent need to tackle the systemic problems in the banking industry."

## Small businesses hit by new mis-selling scandal

were driven by big cash incentives – and some customers said they had been "forced" by their banks to take them out as loan insurance

The scandal echoes the payment protection insurance furore that emerged last year, costing banks billions of pounds in pay-outs.

As well as offering redress directly for those customers who bought the most complex products, the banks have also agreed to stop marketing certain IRSA products to retail customers, said the FSA.

RBS said: "In the case of a small number of less sophisticated customers who entered into more complex

swap products we have agreed to move directly to redress.

"We believe risk management products are an essential part of corporate banking and it is important we restore customer trust in this area."

The British Bankers' Association, representing more than 200 banks, said: "Our members have worked closely with the FSA as it carries out its review into interest rate swaps and will continue to co-operate fully."

Lloyds, which set aside £3.6 billion to cover the cost of PPI compensation, said it did not expect the costs of redressing customers who were mis-sold IRSA products to be "mate-

rial", adding: "Interest rate derivative products are not products the group has sold widely."

Shadow business secretary Chuka Umunna said the banks need to explain who knew about the mis-selling of interest rate swaps. He said: "With the catalogue of wrongdoing growing, the banking sector urgently needs to act to rebuild trust, demonstrate it understands the huge damage to its reputation and show that where there has been wrongdoing it will ensure people are held to account."

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# Diamond is told to apologise

## 'We were promised safe loan, but we became beggars to meet payments'

### CASE STUDY

Mark Blunden

A BUSINESSWOMAN today claimed her family had to sell their late grandmother's gold after Barclays Bank mis-sold them a loan product.

Waheeda Bashir, who runs a halal meat business in Ilford, said she was left devastated when the bank tried to wind up their firm.

Her Superfresh Halal company took out a £1.25 million 25-year loan in 2006, increasing to £1.4 million in 2007, to expand. Ms Bashir was sold two hedging protection loans which Barclays said were free and would protect her from rising rates, she claimed. Her monthly repayments were just under £8,000.

"Barclays Corporate said it would protect us when interest rates go up and it was a condition of the loan that we had to take this product out," she said.

"He told us it was free and very beneficial, but there was no choice. I thought they would protect us and we wouldn't have to worry."

"In 2008 when the interest rate dropped my mortgage stayed at £7,926, but every third month they wanted just under £20,000. We became beggars to keep up with the payments. We sold all my mum's gold and my sister-in-law's wedding jewellery she had hoped

to pass on to her daughters and sons. My nan passed the jewellery on to my mum and I cried the day she had to sell. Mum has nothing left."

Ms Bashir claimed that when the family tried to break out of the agreement in 2008, Barclays told them it would cost them about £600,000, plus the £1.4 million loan. She is fighting the bank through City-based lawyers Lexlaw, and last week met other alleged hedging victims at a debate in the Commons.

She said: "Our turnover is now £70,000 a year, it used



"Crippling loan": Waheeda Bashir

to be £150,000. Barclays also tried to auction our building without us even knowing about it. I haven't slept a wink since the interest rates went down and every time the payment came up we had to rush my dad to hospital with angina pain. I should be benefiting but Barclays are crippling me. It feels like I've got a rope around my neck." Barclays said: "We cannot comment on a matter which is currently in litigation save to confirm that we deny the allegations made to date and will be defending the legal action."



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## Small businesses hit

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"leadership of an unusually high order and changes to the structure of the industry" – an apparent criticism of Barclays boss Bob Diamond.

However, he ruled out a Leveson-style inquiry into the systemic failures of the banking industry and its leadership, saying he and the regulators knew what needed to be done.

Barclays was fined a record £290 million for manipulating the Libor rate at which banks lend to each other. RBS is reported to be facing a £150 million fine. Compensation for the mis-selling of interest swaps will now be paid as

well. Martin Wheatley, managing director of the FSA's conduct business unit, said: "For many small businesses this has been a difficult and distressing experience, with many people's livelihoods affected."

Mis-selling victims included farmers, small hotels and even chip shop owners and electrical stores – small high street traders who had no idea what they were getting into. All four main banks have agreed to pay out compensation, said the FSA.

The banks sold about 28,000 such products to customers since 2001, it said. Victims were not told about hefty exit costs or the risks involved. Sales

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