

THE MOST SERIOUS FINANCIAL SCANDAL OF MODERN TIMES

33. SUGGESTED REFORMS (PART ONE) – WE CANNOT CONTINUE LIKE THIS

Together with the failures to address money laundering through the City of London and to clamp down on the use of international tax havens, Britain is fast acquiring the reputation of presiding over one of dirtiest financial systems in the western world.

Over a long period, the City of London built up a proud reputation for honesty and integrity. The motto of the London Stock Exchange continues to be “My word is my bond” and the City is the largest contributor to the UK’s invisible earnings. We cannot risk its international standing, or that of our major banks, being tainted any longer by serious white-collar crime such as Lloyds Asset Theft Frauds. What has taken place, and has continued to be covered up at the highest level, is a national disgrace.

If Britain wishes to retain its self-respect among major developed countries, we cannot continue like this.

As suggested in press release 31, a number of important moves are required:

1. **Financial penalties:** The Chairman of Lloyds Banking Group, its Chief Executive, other members of the bank’s executive management and non-executive board should suffer significant financial penalties. Those for the Chairman, Chief Executive and the former Chief Operating Officer, Juan Columbás should be severe since they have presided over the cover up of widespread criminal fraud, as well as refusing to compensate victims of those frauds, either adequately or more often, at all.
2. Proper and adequate **compensation** should be paid to the victims of banking fraud, which is assessed independently by panels, which are not corrupted, influenced and manipulated by Government, the FCA and banks such as Lloyds. The treatment of victims of the HBoS Reading fraud has been a separate scandal. The Business Banking Resolution Service (BBRS) should be replaced by a scheme, which is credible and commands the support of bank victims.
3. There should be **prosecutions** of leading individuals among the banks and their agents, who have been responsible for serious professional misconduct and criminal fraud. This would set an example to current and future generations of professionals and should result in a very rapid improvement in standards and conduct.
4. There should be a programme of **comprehensive reforms**, overseen by an independent group of senior figures from the City of London, who know what needs to be done to safeguard the reputation of the City and of UK financial services in general.

Reforms (Part One)

- Commercial lending by banks should become a regulated activity and the banks should have a duty of care for commercial borrowers. This move has been long resisted by the major banks but is an essential first step.

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- The Fraud Act 2006 should be amended to make fraud considerably easier to prove and much less expensive to prosecute. The excessively high cost of prosecuting fraud and its sometimes deliberate complexity has been frequently used by fraudsters to escape prosecution.
- White-collar criminals need to fear the law. The penalties for criminal fraud of seven to ten years' imprisonment should be increased more towards US levels and a maximum sentence of twenty years for serious fraud should be considered. If convicted, corrupt law officers and private sector legal professionals, in whom the public is supposed to place their trust, should receive heavier sentences and their assets rendered liable to permanent forfeit.
- Government should follow through on its July 2019 commitment to tighten up on non-disclosure agreements (NDAs). Their mis-use in order to cover up serious misconduct and criminal fraud should be made an additional criminal offence.
- "Independent" reviews into banking misconduct have made a mockery of due process. They are insulting not only to victims of fraud but also to the proper administration of justice and the rule of law. Highly respected figures, who have occupied positions of authority, have allowed their reputations to be hijacked. Future reviews should be entirely free from Government, regulatory and bank influence. They require honesty and integrity to be exercised at all times and all levels in order to be genuinely independent.
- The Financial Services Act of 2012 should be revised to eliminate HM Treasury's powers of direction over FSMA section 166 financial reviews.
- Laws governing insolvency require comprehensive overhaul because they have been widely abused by fraudulent insolvency practitioners. The 1925 Law of Property Act requires revision, while the role of accountancy firms in insolvency, independent business reviews (IBR's) and administrations requires specific attention. Referrals to the Pre-Pack Pool should be mandatory and the definition of connected parties should be tightened.
- The UK's prosecution of fraud remains blatantly inadequate and the agencies responsible for prosecuting fraud require wholesale reform. The following was an appalling admission, which, despite their rhetoric, successive Governments have made little effort to rectify:

"We are very bad at prosecuting financial crime in this country. I suspect financial crime is easier to get away with in this country than practically any other sort of crime." Rt. Hon Kenneth Clarke QC, MP, Today programme, Radio 4, June 2012.

- The Serious Fraud Office (SFO) should be set up to be entirely independent of Government and financed from fines on banks and other financial companies. A less preferable alternative would be to increase the SFO's core budget and make it less reliant on blockbuster funding. Either way, the annual number of new investigations needs to rise significantly.
- The major Police authorities should receive a significant increase in funding to enable them to investigate and prosecute serious fraud. They could investigate cases, which the SFO might still not have the capacity to investigate.

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