

## The State of British Banking

**Ross** [00:00:28] Welcome to Renegade Inc. Since one of the greatest financial crises in human history, you can count on one hand how many British bankers have gone to prison for fraud. Understandably, UK taxpayers are asking why, especially after the government effectively nationalized bad banking debt - think RBS. At the hands of corrupt bankers, many hardworking people have lost their businesses, their homes and their savings. An industry that has decimated lives still has no recourse to stop the banks illegal asset stripping. So we have to ask, why? Have the judiciary just got all the judgments in favour of the banks plain wrong? Are that world class British police, inept or underfunded? Have successive governments not had the insight or have they turned a blind eye? Or could it be that maintaining a corrupt British banking sector is a central plank of the British establishment strategy to maintain power?

**Ross** [00:01:40] Joining me to discuss the state of British banking is the financial journalist and author of Shredded, Ian Fraser, and the Police and Crime Commissioner for Thames Valley, Anthony Stansfeld. Gentlemen, welcome. Ian, I'll start with you. Another day, another British banking crises - as in when the public look at the UK banking sector, they've become almost immune to the fact that we constantly see these headlines that another bank, another trader, has gone rogue. Can you give us a snapshot into how you perceive the British banking system as we sit here today?

**Ian Fraser** [00:02:14] Well, I think it really started to go off the rails in the 1980s. There was a combination of factors. But one of them was Milton Friedman's ethos that basically the sole purpose of a corporation is to enrich its own shareholders. So from that moment on, you tend to downplay the needs of other stakeholders, like, say, staff, so you can treat them really badly. You justify that because they're not part of the equation. You can justify treating your customers potentially really badly and you can justify victory in the environment or society really badly. If your sole purpose is to make more profit and enrich your own shareholders, there's a danger that, you know, those other stakeholders get maltreated. So I think that was a starting point. Then you had the liberalisation that kicked in under Reagan and Thatcher in the 80s, particularly big bang in the U.K., where banks suddenly could become conglomerates and have an asset management firm and a stockbroker and a wide range of other ancillary financial services brands. Insurance was one of those. And there then you do create horrendous potential for conflicts of interest when you build these conglomerates. I suppose also in '99 you had Bill Clinton essentially ending, Glass Steagall, whereby, you know, up from about 1933 all the way through to 1999, it was impossible for a clearing bank or a high street bank to also own a trading operation. So it was tighter in America until '99 that broke down because of Citigroup, which was formed in '98. And so you had a number of different factors. And then on top of that, you had what I would regard as incredibly ignorant politicians who decided that because the banking sector had become the goose that laid the golden egg, you should just basically relax regulation and don't even bother to examine what it's doing very much.

**Ross** [00:04:06] Right.

**Ian Fraser** [00:04:06] It kept on churning out profits. It kept on providing credit to fuel the economy, therefore, a wonderful thing. So let's not meddle too much, which is more or less what Gordon Brown and Tony Blair did in '03 when they overreacted to the US Act, Sarbanes Oxley. And they they basically decided to embark on a race to the bottom whereby Britain could become the place where bankers could do more or less whatever they wanted.

**Ross** [00:04:30] Did politicians at that time not see the social damage that that would cause because basically what you've said about Milton Friedman - all economic destruction seems to lead back to this economist - did the politicians not understand that this wasn't actually a good thing for society?

**Ian Fraser** [00:04:45] Well, as far as the government of Gordon Brown and Tony Blair was concerned, RBS could do nothing wrong. It was creating a lot of profit. It had done a good take-over of NatWest and it was providing credit into the economy, both for individuals and companies. And it didn't seem to be doing anything wrong at that point. But they never looked underneath the bonnet to actually check.

**Ross** [00:05:07] And what were they doing wrong?

**Ian Fraser** [00:05:08] Well, there's loads of things they were doing wrong. But one of them was over lending. For example, Monty, a dog, I think he was living somewhere in the Midlands of England, was offered a credit card. You know, they were they were offering credit cards too readily to people who didn't even exist. Also, the key thing they were doing wrong was overpaying for a string of rather bad acquisitions. So after NatWest, which was the biggest banking takeover in history at the time, in 2000, the board of IBS, particularly Fred Goodwin, believed they could walk on water and they'd had 28 other acquisitions between 2000 and '07. They overpaid for almost every single one of those and actually destroying their bank as a consequence and becoming the most expensive bank in the world to bailout in October '08.

**Ross** [00:05:55] And was this at the moment when Gordon Brown was making Mansion House speeches, encouraging the risk takers to take more risk and a light finger or a light touch approach?

**Ian Fraser** [00:06:03] Yes. In a string of Mansion House addresses in '06 and '07 and others, Gordon Brown was waxing lyrical about the bankers as almost sort of quasi divine beings who were leading us on to a new golden age with their amazing skills of lending money and all the other stuff that they were doing.

**Ross** [00:06:23] Anthony, why is white collar crime not seen as a crime in the UK?

**Anthony Stenfeld** [00:06:27] Well, I find it very odd. I mean, we're losing, according to National Crime Agency, about 190 billion a year through fraud, which is vastly more than any other crime busts, more than the drugs industry or anything like that. It's on a massive scale. But we spend probably 0.03 of a percent doing anything about it, so it's never investigated. And when a major bank is investigated, and Thames Valley investigated the HBOS frauds out of Reading and it cost us about seven million pounds to do. We never got paid back for that. I think we got about two million back eventually.

**Ross** [00:07:00] Where from?

**Anthony Stenfeld** [00:07:02] Eventually the Home Office gave us two million pounds back.

**Ross** [00:07:04] But you were still five million pounds out of pocket?

**Anthony Stenfeld** [00:07:06] Yes. Which is a great deal of money.

**Ross** [00:07:08] Where did the find for the bank go?

**Anthony Stenfeld** [00:07:10] The bank was fined 45 million. It went straight back to the Treasury.

**Ross** [00:07:13] Well, they owe you five million bucks?

**Anthony Stenfeld** [00:07:14] I wrote to Philip Hammond and asked for the money back. I got a letter from one of his staff over two pages saying, no.

**Ross** [00:07:24] The reason?

**Anthony Stenfeld** [00:07:24] This goes into a central pot and it's not the police pot. But I mean, the one lesson that goes out, of course, to all the police forces in the country is that they cannot take on a major fraud within a bank. It is too expensive to do. And the banks spend a fortune on lawyers. I would think Lloyd's last year spent over 800 million pounds on lawyers. Well, the police simply do not have that money to take on major fraud. We do serious organized crime and counter-terrorism is done by the police at a regional level. We need to do fraud at a regional level. And the Financial Conduct Authority fines companies about a billion pounds a year. Well, instead of going straight back to the Treasury, that money has got to go in large proportion, back to the police to set up a forensic crime units that look into fraud at a regional level. And it's got to be funded properly. And it's no good funding the SFO, the Serious Fraud Office, something like 40 million a year and Action Fraud, which is the City of London, which is funded, I think about 15 million a year. And it's contracted out to a call centre in Glasgow. I mean, the thing is absolutely criminal.

**Ross** [00:08:30] And is the political will available or is the lobbying and the influence that the finance sector holds too great for politicians to stand up and say, enough's enough? Actually, we need to resource the police correctly so we can start to address this?

**Anthony Stenfeld** [00:08:45] Yes, I think far more has got to be done. I think one of the problems is there are so many agencies that are meant to be dealing with this.

**Ross** [00:08:51] Well, what are they? Are we going to have an alphabet soup of acronyms?

**Anthony Stenfeld** [00:08:54] I can tell you the acronyms. The Bank of England's have the Prudential Regulatory Authority. Then you have the Serious Fraud Office. Then you have the City of London. You have the Financial Conduct Authority. You have the National Economic Crimes Centre. You have the National Crime Agency. And, of course, all of their

responsibilities overlap each other and they're able to shunt around cases between each other. And they never sit with anybody. Nobody follows a case through and nobody is held responsible. And when has a major bank, other than HBOS ever been held responsible?

**Ross** [00:09:28] You must pull your hair out as a police and crime commissioner when you see all this fraud occurring and very little or no action being taken?

**Anthony Stenfeld** [00:09:36] Yes. I find it extraordinary that we didn't put the money into it. And I think we have a revolving door within most of these agencies, regulatory authorities, that are meant to do something about it. There is a revolving door with the banks and the accountancy companies and so a lot of the people who work for these ones come straight out of a bank and go straight back to a bank.

**Ian Fraser** [00:09:54] There's a classic case about HSBC where the guy who was supposed to be investigating the store card in arrears fraud that Nicholas Wilson has been highlighting for many years now, waltzed straight into a senior job within HSBC. And I don't know what exact title is, but he's in the sort of department that oversees crime.

**Anthony Stenfeld** [00:10:13] The classic one is the senior partner of KPMG.

**Ian Fraser** [00:10:17] Yes.

**Anthony Stenfeld** [00:10:17] When they audited the HBOS accounts and managed to overlook a fraud of the best part of a billion pounds and a hole in the accounts that was approaching 40 billion, his next job was chairman of the Financial Conduct Authority. The chairman of Lloyd's when this was going on, they took over HBOS, went on to be chairman of the Financial Reporting Council, keeps an eye on auditors.

**Ian Fraser** [00:10:38] So you've got two people who presided over two of the most negligent institutions, or potentially partly fraudulent institutions, were asked by the government - because the government appoints these people - to run the main body for policing corporate governance and accounting standards, the FRC, and in the other case, to run the Financial Conduct Authority, which is supposed to police misconduct in the financial sector. It's a joke.

**Anthony Stenfeld** [00:11:01] Well, I think in America and Australia, they have gone a great way to sorting this out.

**Ross** [00:11:06] But why the British been so very feeble about this?

**Anthony Stenfeld** [00:11:07] I think we say the government. I don't think it's the government. I think it's the establishment that is very keen not to investigate itself sometimes.

**Ross** [00:11:16] And how do you make the differentiation, then, between the government and the establishment?

**Anthony Stenfeld** [00:11:20] Well, I think if you're a minister and you go into your new department and your briefed by all your civil servants, and this is especially true of the Treasury, they are the experts, you weren't anything like as much as they are. They would be

advising you on what to say and what to do. They'll be giving you your briefs to say in parliament and everything. And the trouble is, you go native very quickly, and it's very difficult not to. And I think the people within establishments like the Treasury, of course, will go and work for the banks afterwards. And this is their future for a lot of them. Whether it's the Financial Conduct Authority or the Prudential Regulatory Authority of working for the Bank of England. So there is this sort of revolving of people within the system that will not hold itself to account.

**Ian Fraser** [00:12:02] I think what you say is very true, because when Lord O'Neill left Goldman Sachs to join the Treasury as a minister, he said he felt at home, there were so many investment bankers there. The H.M. Treasury in 1 Horse Guards was basically, in his view, dominated by the civil service level and to some extent ministerial level by ex-investment bankers.

**Ross** [00:12:34] Welcome back to Renegade Inc. Before we talk more about the state of British banking with Ian Fraser and Anthony Stansfeld, let's have a look at what you've been tweeting about in this week's Renegade Inc. Index. First up, we've got a tweet from Prem Sikka, Corruption Inc. Representatives of a government owned bank, guess which, are suspected of forging signatures on court documents in repossession cases. The issue has been highlighted by Police Commissioner Anthony Stansfeld, the FCA and government have done nothing. It must be pretty frustrating for you, this?

**Anthony Stenfeld** [00:13:05] The documents have all been handed, I gather, to the Financial Conduct Authority. I think it's probably six volumes weighing about 30 pounds. I had to carry them. I very much doubt he'll be done about it. They've done nothing about any of the other documentation they've been given. And the classic one, of course, is the extraordinary report written by Sally Masterton, The Turnbull Report, which they have sat upon now for five years.

**Ross** [00:13:28] Next from George Kerevan. BBC Scotland has turned down showing my documentary Spank the Banker about RBS GRG expropriation of small firms and HBOS fraud case on grounds it has wrong tone for the channel.

**Ian Fraser** [00:13:45] The BBC is pretty pusillanimous in my experience, where banking is concerned. There are one or two good journalists, including Andy Verity, who have done some sterling work exposing global restructuring group and helping to put it out there that this bank RBS turned rogue, not just before its bailout, but also after its failure. But as a general rule, they are pretty weak where banking is concerned, I'm afraid.

**Ross** [00:14:09] Next, from a guy called Ian Fraser. You sold your soul to the devil for sex, bling and swag. This is the HBOS banker jailed for eleven years after he and his cronies plundered one billion from small farms to fund sex parties, super yachts and lavish holidays. And finally, from Roland Smith, thought provoking piece and Martin Wolf in the FT. The level of financial development is only good up to a point, after which it becomes a drag on growth. And that fast growing financial sector is detrimental to aggregate productivity growth.



**Ian Fraser** [00:14:46] Martin Wolf's recent article in the FT was one of the best, if not the best, that he's ever written. And I think anyone who has any interest in this subject should read it because it, because basically exposes the problems of financialization and ludicrously high pay for corporate chief executives and banking chief executives and the detriment that that is causing to society and to the rest of us.

**Ross** [00:15:09] Takes us seamlessly into your book, *Shredded: Inside RBS, The Bank That Broke Britain*. Mr Wolf says read it and weep. So he's obviously read it and it's probably inspired why he's knocking out. Pitch it to us. Why should we read it? And is it going to invoke tears?

**Ian Fraser** [00:15:26] Well, obviously I wrote it. I'd recommend that everybody should read this book. We had an out of control love in between New Labour and the banking sector, which culminated in the banking crash of '08 which was also caused by other things going on in the banking system, like FCDOs and etc. in the states. But what that has caused is it's caused immense problems for the UK in terms of the amount of debt in the system, the subsequent maltreatment of companies by RBS, which has been appalling through its global restructuring group, but also the need for austerity. Osborne and Cameron decided to implement fairly harsh austerity from 2010 onwards, and I don't believe that would have been necessary if we hadn't had an out of control, too big to fail, banking system which did fail in '08..

**Ross** [00:16:15] *Shredded*. The new edition. Congratulations on it. I mean, such a huge achievement. Look at it. And it depicts why we're in the state that we're in. It's not just British banks who are losing billions, UK citizens are financially compromised, too. Whether it's fraud, PPI mis-selling or document forgery and asset stripping. The cumulative effect of all these practices cost millions annually and result in a corrosive loss of trust with customers.

**Video clip** [00:16:44] My name is Trevor Mealham. I'm a victim of Lloyds Banking Fraud. We've got a group now of 110 victims. And we're sharing information about the frauds that Lloyds are doing. What happened to me, my background, I had a property technology business, I've been in property for about 30 years. I had local estate agents. My family were local farmers as well. Lloyds approached us for the expansion loan. We cashed in several of our investment properties to expand the business. Lloyds said that we'd be applicable for a 200k EFG loan, Enterprise Finance Guarantee. When we got to 85,000, Lloyds pulled the rug and we soon found that we slipped from six, seven percent interest up to 26 percent interest. We then found further loans we'd not had. And this one here shows a secure loan, 250k, sort code, account number, open. We never had this. Lloyd's are using customer's signatures and their identities to raise debts that people have not had. And then once they've done that, they're then closing in on customers with big lawyers, big solicitors, and they're conning them. They're taking them to court and they are asset-stripping them. They're also abusing the land registry because they are placing originator charges which they don't update. And that's a really big thing. Lloyds are using the land registry charge as a fraudulent instrument into the courts, stealing properties and people don't know a thing about it. We're now getting a lot of customers that have been with Lloyds for decades and they're now closing accounts. They're going elsewhere. They're asking Lloyds for comments and they're refusing to answer. But there is definitely a lot of concern out here. And this is going to cost Lloyds millions and millions. So we're now at a stage where, you know, we've got great evidence that show the

fraud. Hopefully, Lloyds are going to remediate. Victims are on about BBRF scheme. But today that's not fit for purpose because it only allows a very small percentage of people to go in it. But our thing is we'll keep fighting away like this. There's more and more protests happening. And when we get compensated and remediated, we can then get back to living our lives, give our kids what they've missed out on due to these and think what we're going to do, whether it's another business or whatever it is. I was an adviser to the government on money laundering to the Treasury. Lloyds Bank are criminally asset stripping customers through bait and switch and are in breach of the 2006 Fraud Act. We're now working with the police crime commissioner of Thames Valley, who has jailed six Lloyds bankers. More now need to go to jail.

**Ross** [00:19:29] We asked Lloyds Banking Group about the allegations made by Mr Miller. This was their response: "Mr Mealham's allegations against Lloyds Banking Group are part of an ongoing legal dispute and which will be determined by the courts in the coming months."

**Ross** [00:19:46] Often when people hear about fraud, it's up there and it's going on somewhere else and, you know, for a man woman on the street, it's very difficult to get their head around because banking is incredibly complicated, finance, capital markets and all that stuff. One of the things that's very tangible, is signature forgery. And you know a lot about this and about the endemic practice that's going on at the moment. Tell us about it.

**Anthony Stenfeld** [00:20:09] Yes. I mean, the banks are forging documents that go to judges and go to courts and the signatures on most of documents are not the signatures of the people they purport to be. And this has gone on on an industrial scale. And the trouble is, you will get one signature with any number of different names or the same name with any number of different signatures. And it's not just the bank forging their own people's signatures, but they're also forging their customer signatures. And they've also been forging their actual bank statements. So you can get two sets of bank statements. And they are the same bank statement, the same sort code, the same individual with completely different figures on them. But it's not just the banks that are milking the system.

**Ross** [00:20:47] Right.

**Anthony Stenfeld** [00:20:47] It is being milked absolutely disgracefully by the main accountancy companies, by some of the legal practices, by some of the major land agents. Properties are being sold off when they have proper values. They've been sold off at a quarter or half their value to their cronies. And this is fraud right across the board. And because the bank has guaranteed the loan, they've securitized it, it usually gets back the money twice from a company - once from the insurance that it has put on the loan, and once when it sells the assets at half their value. And the other half is stolen by the cronies.

**Ian Fraser** [00:21:21] So this fraud is a business model?

**Anthony Stenfeld** [00:21:22] Yes. I think there was the most extraordinary report written by a lady who worked for Lloyd's called Sally Masterton called the Turnbull Report. It was written in 2013. The bank got it in 2014. It was commissioned by the head of audit and risk, though the bank denied that for several years.

**Ross** [00:21:38] So they commissioned the report and then denied....

**Anthony Stenfeld** [00:21:41] Absolutely denied they'd commissioned it. Sally Masterton was promptly sacked. But the report laid out over about 155 pages, quite clearly what had been going on in the bank - the fact that they went ahead with massive rights issues running into many billions of pounds on knowingly fraudulent accounting. And also they'd overlooked a one billion pound fraud. And it lays out the people involved. It also lays out quite clearly the companies involved. Now, that report was sent to the Bank of England in 2014 and it was sent to the Financial Conduct Authority at the same time. And they've sat on it. Nothing was done about it. They've still sat on it. And what is worse, Sally Masterton, who was sacked from her job has had eventually the bank kicking and screaming, have had to pay her compensation and has admitted very reluctantly that they did commission the report. But the fact that the report is substantiated, they absolutely deny.

**Ross** [00:22:33] How does this, Anthony, from your point of view, how does this logically conclude? Because if we continue down this track, it's very clear that the real economy in the UK is going to get hollowed out, more and more victims of fraud are going to be disenfranchised and, ultimately, if you come to Martin Wolf's piece in the FT, liberal democracy is at threat because the finance sector is going to eat up everything in its path.

**Anthony Stenfeld** [00:23:00] Yes, it's critical that we have an honest banking system. We don't need new rules and regulations. There are plenty of rules and regulations in place. What we need are the rules and regulations enforced and where the failure is coming, that the regulatory authorities are totally failing to enforce the rules that are in place. And it is critical we have a good banking system. But we've got to have an honest banking system. At the moment, I don't believe that is the case.

**Ross** [00:23:24] And until you got that, you can't have a banking system that's calibrated to serve the real economy.

**Anthony Stenfeld** [00:23:28] No, you can't, yeah.

**Ross** [00:23:29] So ultimately, real enterprise commerce dies at a time when austerity is raging.

**Anthony Stenfeld** [00:23:35] Yes. I mean, I don't think all the banks have been doing this. I think it is some of the banks have been doing it and they need to be brought to book. This is not just the banks, it's the accountancy company in the legal practices that support them. And I think where criminal action has taken place - and I believe it has - then we should be using the criminal law to prosecute them. There have been six parliamentary debates about this. And everyone of those debates all the political parties, all six or seven, were represented at those debates. It's the one time that every single MP agreed across party lines that something has gone badly wrong and something needs to be done about it.

**Ross** [00:24:12] So at last we got some kind of cross-party opinion?



**Anthony Stenfeld** [00:24:16] Yes. All the parties agree on this. The worry is that the treasury minister then gets up and bats it all into touch.

**Ian Fraser** [00:24:23] I've actually been into those debates for 10 years. The first one I went to was in June 2009, and I was about HBOS and it was powerful. Every single MP was describing how their constituents had ended up being turfed out of their homes, more or less, by the bank for no reason. They hadn't done anything wrong. And it was, you know, real horror stories that you were hearing from all the MPs in the debate. But at the end, the treasury minister comes in, doesn't seem to really acknowledge at all the seriousness of what's been going on and just says, oh, well, we can't do anything at the moment because we're waiting for a financial conduct authority investigation.

**Anthony Stenfeld** [00:24:57] You need a Yes Minister moment where the minister gets up and says, I've listened to what you said and you're absolutely right. We need a full public inquiry into what has gone wrong. And he'll go back to the Treasury and be incredibly unpopular. But I do think they'll be able to sack him. And no minister has had the courage to do that.

**Ian Fraser** [00:25:13] So essentially they are all cowards, do you think?

**Anthony Stenfeld** [00:25:16] Well, I think, as Yes Minister said, you go native and they do not do what needs to be done. Into these jobs you need to put experts. But the experts are almost invariably both conflicted and complicit with the problem. So it's very difficult to bring somebody in from outside. What are some of our banks have been up to at a board level is certainly serious, it's certainly organised and it's certainly criminal. So why don't we treat it as a serious organised crime?

**Ross** [00:25:45] Anthony, Ian thank you both very much for your time. That's it from Renegade Inc HQ this week. You can drop the team a mail - [studio@renegadeinc.com](mailto:studio@renegadeinc.com), or you can tweet us at Renegade Inc. Join us next week for more insight from those people who are thinking differently. But until then, stay curious.