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1. Barclays 'rigged rates to protect itself';Bob Diamond says bank prepared to co-operate with investigation
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Barclays 'rigged rates to protect itself'; Bob Diamond says bank prepared to co-operate with investigation Diamond says rate rigging was to protect Barclays

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Body

BARCLAYS' chief executive Bob Diamond has admitted for the first time that the bank made a conscious decision to falsify Libor in order to protect the bank at the height of the financial crisis.

The revelation in a letter to Andrew Tyrie, chairman of the Treasury Select Committee, will put increasing pressure on Mr Diamond to reveal whether the decision was taken at board level.

"Even taking account of the abnormal market conditions at the height of the financial crisis, and that the motivation was to protect the bank, not to influence the ultimate rate, I accept that the decision to lower submissions was wrong," he stated.

In the most detailed account so far on how the Libor rates were manipulated, Mr Diamond said fixing of Libor was carried out by individual traders and, separately, by the bank itself.

He said traders attempted to influence the rate in order to benefit their own desks' trading positions, and that the bank made the decision in order to protect shareholders' interests.

The Libor scandal saw £3.2bn wiped off the bank's value yesterday in the biggest one day fall in its share price for more than three years.

The bank's value fell by 15.5pc yesterday as the growing public and political outrage led to mounting speculation that Mr Diamond and Barclays' chairman, Marcus Agius, could be forced to stand down within days. However, Mr Diamond reportedly told executives at Morgan Stanley that he would not resign.

Politicians and investors joined the chorus of disapproval of the bank's admission that it attempted to manipulate the Libor borrowing rate for several years.

Investors were last night reported to be demanding a meeting with the bank's senior independent director, Sir Michael Rake. Martin Taylor, a former chief executive of the bank, described the findings against Barclays as showing a "policy of systematic dishonesty".

"It's hard to believe that a policy which seems so systematic was not known to people at or near the top of the bank," Mr Taylor added.

David Cameron said Mr Diamond had "serious questions to answer". The Prime Minister said: "I think the whole management team have got some serious questions to answer. Let them answer those questions first."

Business Secretary Vince Cable warned that, should Mr Diamond or other managers be found to have been involved in the interest rates manipulation, they could be disquali-fied from working in the finance sector.

"That certainly is a sanction open to us, yes," he said, while claiming that discussions over Mr Diamond's departure were "premature".

In the letter Mr Diamond appeared to try to defend elements of the practice by pointing the finger at other banks.

Addressing the market turbulence at the height of the financial crisis he wrote: "The unwarranted speculation regarding Barclays' liquidity was as a result of its Libor submissions being high relative to those of other banks. At the time, Barclays opinion was that those other banks' submissions were too low given market circumstances."

He also said the bank raised concerns about the Libor setting process with authorities including the Financial Services Authority, Bank of England and US Federal Reserve: "Barclays has co-operated fully with the authorities in their investigations ... and the authorities have extensively praised the level and speed of our co-operation".

The former chancellor Alistair Darling said Barclays created a culture that tolerated and may even have encouraged market abuse, as he urged the FSA to launch a broader investigation.

Speaking to The Daily Telegraph, he called for an overhaul of the way Libor is scrutinised. "Quite clearly, there was a culture here that tolerated - if it didn't encourage - this sort of behaviour," Mr Darling said. "The FSA needs to carry out a further investigation to find out who was responsible for this, who knew what was going on, as well as to track those people who manipulated or attempted to manipulate the figures. Because until that's done confidence won't be restored."

The Libor rigging has already cost the bank £290m in fines and Mr Diamond said the bank was carrying out reviews of employee conduct which could lead to pay being clawed back and dismissals.

Mr Diamond, along with three other Barclays executives, including Chris Lucas, the bank's finance director, have already said they will not take a bonus for this year as a result of the scandal.

However, pressure is growing for a criminal investigation of the bank's actions. George Osborne, in an emergency statement to Parliament, said the Serious Fraud Office was considering further action.

Barclays is unlikely to be the only bank found to have manipulated Libor, which is used to set the rate on loan and derivative contracts worth more than $500 trillion (£320 trillion). Shares in other major British lenders, including state-backed banks, Lloyds Banking Group and Royal Bank of Scotland, fell amid fears they could be drawn in. Twelve banks disclosed they were being investigated over Libor rigging.

Also under scrutiny will be Mr Agius's role as chairman of the banking industry's lobby group, the British Bankers' Association, which is responsible for Libor. Mr Diamond has been called to appear before the Treasury Select Committee. In his letter to Mr Tyrie he said he would be happy to attend.

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