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Barclays boss Bob Diamond under intense pressure to quit

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Body

The Barclays boss Bob Diamond was under intense pressure to resign today after David Cameron and Ed Milliband said he had "serious questions to answer" in wake of interest rate fixing scandal.

Mr Diamond said yesterday he would not take his multimillion-pound bonus this year after the bank was caught taking part in a conspiracy to manipulate key borrowing rates for years. The exposure yesterday of the scandal will cost Barclays £290m in fines.

But today the leaders of both main political parties piled pressure on Mr Diamond, as shares in the bank appeared to be in free fall. By lunchtime the stock was down by more than 15 per cent.

Speaking during a visit to West Yorkshire Mr Cameron said the whole management team at Barclays had "some serious questions to answer"

"Who was responsible? Who was going to take responsibility? How are they being held accountable? These are issues they need to determine and determine quite rapidly," he said.

In the House of Commons George Osborne said the Financial Services Authority was liaising with the Serious Fraud Office on any potential prosecutions but admitted that "fixing" the Libor borrowing rate was not a criminal offence in Britain.

He said that the FSA's investigation was still ongoing and was part of an international probe into the manipulation of rates.

It is possible that bankers in Britain could be prosecuted abroad.

He said: "It is clear that what happened in Barclays and potentially other banks was completely unacceptable, was symptomatic of a financial system that elevated greed above all other concerns and brought our economy to its knees."

"It is clear that the FSA's investigation demonstrates systemic failures at the heart of the financial system at the time."

Downing Street said it welcomed the announcement of an inquiry by the Treasury Select Committee which will call Mr Diamond to give evidence.

Andrew Tyrie, chairman of the committee said: "What is now left of trust between the public and the banks?"

The Labour leader Ed Miliband went further and called for criminal prosecutions.

"When ordinary people break the law they face charges, prosecution and punishment. We need to know who knew what when, and criminal prosecutions should follow against those who broke the law," he said.

He added: "This cannot be about a slap on the wrist, a fine and the foregoing of bonuses. To believe that is the end of the matter would be totally wrong."

Lord Oakeshott, a former Liberal Democrat Treasury spokesman, described the bank as "a casino that was rigging the wheels and loading the dice".

"If Bob Diamond had a scintilla of shame, he would resign," he said. "If Barclays' board had an inch of backbone between them, they would sack him."

Investigators from the US and the UK announced yesterday that Barclays traders routinely manipulated one of the world's most important interest rates, affecting everything from mortgage rates to the value of complex financial derivatives, all in the hope of increasing their trading profits and their own yearly bonuses.

At one point, Barclays was lying "on an almost daily basis" in the information it published to the market, according to a US regulator.

Mr Diamond, whose £28.3m pay package last year caused a political and public outcry, said he and three lieutenants would take "collective responsibility" for the scandal and would not ask for a bonus for 2012.

The bank has fired some of the people involved, although it declined to give details last night. "Nothing is more important to me than having a strong culture at Barclays," Mr Diamond said. "I am sorry that some people acted in a manner not consistent with our culture and values." Jerry del Missier and Rich Ricci, who share the running of Barclays' investment banking division, and the company's chief financial officer, Chris Lucas, will also forgo bonuses. Last year, Mr del Missier and Mr Ricci each received packages worth more than £6m.

The British Financial Services Authority and the Commodities Futures Trading Commission (CFTC) and the Department of Justice (DoJ) in the US have been investigating Barclays and other banks since the credit crisis revealed suspicious practices around the setting of an important interest rate called Libor.

Libor - London interbank offered rate - is calculated based on what an élite panel of banks says it costs them to borrow money from each other for a short amount of time. That figure is a cornerstone of the credit markets, and everything from mortgage rates to small-business loans is affected by it.

Crucially, Libor also affects the price of trillions of dollars of financial derivatives of the kind traded at Barclays - giving the bank a financial incentive to manipulate the rate.

The investigation uncovered dozens of email exchanges in which traders persuaded their colleagues to submit an artificial rate, just to benefit their trading positions. "Done... for you big boy," one Barclays employee says, to a trader, after such a request.

The practice was so widely used that traders sometimes requested a fake Libor submission as a favour to a former colleague who called in for help to increase profits on trading positions at their new hedge fund or bank.

Barclays agreed to pay £59.5m to the FSA to settle the investigation, and the penalties in the US are even steeper. The CFTC levied a fine of $200m (£129m) and the DoJ will receive $160m from the bank.

The CFTC opened the investigation into the manipulation of Libor during the credit crisis, after suspecting banks were not playing by the rules. In 2008, when banks were finding it hard to borrow money from each other at any rate, Libor seemed to stay artificially low.

Other banks are still under investigation.

The findings set out yesterday show the misconduct went back further than previously believed. In the wake of the collapse of Lehman Brothers, when financial markets entered a full-blown panic, the CFTC said, Barclays submitted artificially low rates "on an almost daily basis" at the instruction of an unnamed member of senior management.

Barclays had been submitting figures that were higher than the other banks on the panel, but by admitting that it had to pay higher-than-average rates, Barclays attracted rumours that it was having financial difficulties. Senior employees ruled that the bank should instead lie about the rate.

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