

Axing bankers' bonus cap could fuel pre-2008 greed culture, lawyers say

The Chancellor's decision to axe the cap on bankers' bonuses has been met with backlash amid fears it will see the return of a "culture of greed" in the [City](#) as Britons suffer from a deepening cost-of-living crisis.

The controversial decision will remove the limit on bankers' annual pay-outs – which has been capped at 100% of their salary, or double with shareholder approval – introduced by the [European Union](#) after the 2008 financial crisis.

[Kwasi Kwarteng](#) said the move would encourage global banks to create jobs, invest, and pay taxes in the City.

Pay in bonuses aligns the incentives of individuals with those of the bank, therefore supporting growth of the UK economy, the Government added.

"All the bonus cap did was to push up the basic salaries of bankers, or drive activity outside Europe," the Chancellor told the House of Commons when he unveiled the Treasury's 'mini-budget' on Friday.

Read More

- [More rail workers to strike in long-running dispute](#)
- [At a glance: Key points from Kwasi Kwarteng's mini-budget](#)
- [City Comment: Tax giveaways at odds with wider sentiment](#)
- SPONSORED

[How Scania's new trucks are the future of HGVs, today](#)

Mr Kwarteng added that he would set out an ambitious package of regulatory reforms later in the autumn, to “reaffirm the UK’s status as the world’s financial services sector”.

Michael Barnett, a partner at Quillon Law and who led litigation involving high-profile banking scandals following the 2008 crisis, warned that the decision risks re-introducing a culture of greed that preceded the financial crash.

He said: “To many who were scarred by the consequences of the 2008 global financial crisis and the banking scandals that accompanied it, news that caps on bankers’ bonuses may be abolished will trigger a response bordering on visceral.

“Bankers’ bonuses were seen as emblematic of an imploding financial services industry that was fuelled by a culture based on greed and pursuit of profit at any cost.

“Bonuses and other financial incentives formed a major component of many claims that were brought in the courts, whether successful or otherwise.”

Campaigners have pointed out that bankers’ pay-outs will soar during a time when many households are facing rising living costs and amid a swathe of strike action in efforts to raise pay.

Last week, trade union [Unite](#) said: “When millions are struggling to feed their families and keep the lights on, the Government’s priority appears to be boosting the telephone number salaries of their friends in the city.

“Britain’s economy is now dominated by rampant profiteering. Removing the cap on banker’s bonuses will make that worse.”

Former Chancellor [George Osborne](#) was criticised by the Labour Party in 2014 for launching a legal battle to block the bankers’ bonuses that cost tens of thousands of pounds in taxpayers’ money.

At the time, Mr Osborne faced similar criticism for his timing in fighting the restrictions when many households across the UK were facing worsening living standards.

The Chancellor said elsewhere in his speech on Friday that the bank surcharge – a charge on the profits of banks exceeding £25 million – would remain at 8%.