

Brown in bonuses pledge

By Lionel Barber and Philip Stephens

Published: September 1 2009 03:00 | Last updated: September 1 2009 03:00

Gordon Brown yesterday pledged tough action to clamp down on excessive remuneration for bankers as part of an international effort to rectify the systemic weakness that led to the global financial crisis.

In an interview with the Financial Times, the prime minister said pay and bonuses should be based on long-term success not short-term speculative gains; banks should "claw back" bankers' rewards if their performance suffered in subsequent years; and regulators should be able to impose higher capital requirements on financial institutions.

"We have to move faster," Mr Brown said.

However, he declined to endorse comments by Lord Turner, chairman of the Financial Services Authority, that the sector was "bloated" and needed to be cut down to size.

While it was now clear that the banking sector had "overheated", it was vital to safeguard the status of the City of London as an international financial centre.

Speaking in Downing Street after a lightning weekend visit to Afghanistan, where British troops are suffering casualties while combating an increasingly violent insurgency by the Taliban, the prime minister brushed off allegations that the government had caved in to Libyan government demands to free the convicted Lockerbie bomber Abdelbaset Ali Mohamed al-Megrahi in return for oil contracts.

He revealed that he had personally told Colonel Muammar Gaddafi at a meeting in L'Aquila, Italy this summer that the prisoner's release was at the discretion of the Scottish executive, not the UK government.

In an hour-long interview, Mr Brown tempered his call for a crackdown on bankers' remuneration with a warning that the UK could not be expected to take action unilaterally.

He was unenthusiastic about French-led pressure for a mandatory cap on bankers' bonuses, warning it would be difficult to enforce even though it was part of a "legitimate debate".

Turning to the global economy, Mr Brown stressed that it was too early to abandon the fiscal and monetary stimulus adopted in the US, UK, Europe and other industrialised countries.

Mr Brown said he hoped G20 leaders meeting in Pittsburgh this month would agree a "global compact for growth" that would include co-ordinated steps to withdraw stimulus packages and government support for banks; a deal on "trigger points" where countries would be expected to act to address global imbalances such as excessive current account deficits and surpluses; and an agreement on climate change.

He was fiercely critical of the Conservative party for failing to support the "tough measures" adopted to tackle the financial crisis.

Other European leaders have also called for steps to be taken at the G20 summit to prevent excessive risk-taking by large banks.

Following a meeting with Nicolas Sarkozy, France's president, in Berlin yesterday, Angela Merkel, Germany's chancellor, said: "No bank should be allowed to become so big that it can blackmail governments."