

Volume 2: Financial Failures & Scandals: From Enron to Carillion
By Krish Bhaskar and John Flower
Online companions volume
Current 2019
Post Publication Comments: Barclays Bank update

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Barclays Bank update

This is a case that stems back to the 2008 financial crisis when Barclays made a \$3 billion loan to the state of Qatar in November 2008, around the time that the second of the bank's two rescue fundraisings was closing. British companies are usually barred from lending money if the purpose is to fund the purchase of their own shares, a process known as financial assistance¹. Though this and the previous charge failed².

This has been well described by the same Guardian article³:

The supposition, since cleared was that the equity injection paid for by Qatari and then repaid to the Qatari's (a so called round trip) in order to avoid a bail-out by the Government with all the government interference that would have resulted. .

Four former Barclays executives have appeared in court charged with fraud in relation to the multibillion-pound rescue of the bank by Qatar during the 2008 financial crisis. John Varley, the former chief executive of Barclays, is the first boss of a major bank to face a jury trial over alleged crimes during the global financial crisis a decade ago. Ed Brown QC, prosecuting on behalf of the Serious Fraud Office, said the case would examine "how those at the very top of the bank responded to the pressure that it created".

"The backdrop of this case is the global financial crisis of 2008," Brown told the jury. "The first obvious and outward sign of it, at least to the UK public, was the closing of the doors of the bank Northern Rock in 2007. However, the crisis in the UK and across the world worsened and deepened as time went on and into 2008." Brown alleged that Varley, and the other former Barclays bosses, made secret payments to Qatar in order to secure investment from the Gulf state and therefore avoid a UK government bailout. Those at the top of Barclays were very anxious to avoid accepting government money, thereby placing itself under greater government control and scrutiny," Brown said. "It is no exaggeration to say that Barclays' future as an independent bank was in jeopardy in September and October of 2008."

¹ Arnold, M., Thompson, B., and Pooley, C., R., 2018, Barclays charged a second time over Qatar cash injection: Serious Fraud Office charges lender with giving unlawful financial assistance, Financial Times, 12 February 2018.

Available at:

<https://www.ft.com/content/9eb75568-0fcf-11e8-8cb6-b9ccc4c4dbbb>

Accessed January 2019

² Davies, R., 2019, Barclays avoids trial over £6bn Qatar rescue package: Court rules against reinstating charges brought by Serious Fraud Office against bank, *The Guardian*, 26 October 2018.

Available at:

<https://www.theguardian.com/business/2018/oct/26/barclays-avoids-trial-over-6bn-qatar-rescue-package>

Accessed January 2019

³ Ibid

The background and link to current SFO prosecution

The FT put this in a broader context⁴ though this is no longer about the £11 billion but fees of around £322m:

Mr Varley and his alleged co-conspirators stand accused of funnelling to Qatari investors secret fees of more than £320m in exchange for more than £4bn in investment.

The Serious Fraud Office says this was a desperate attempt to keep the bank afloat and not imperil two capital calls dubbed “Project Birdcage” that went on to raise more than £11bn. Barclays twice turned to investors from Qatar, China, Singapore and Abu Dhabi that year to avoid a UK government bailout.

The secret fees were paid to a Qatar sovereign wealth fund through side deals known as advisory services agreements, which the SFO alleged were merely “dishonest mechanisms” designed to hide the fact that the bank had yielded to Qatar’s demands for more commission than other investors.

The Qatari investors — which included the then-prime minister, Sheikh Hamad bin Jassim bin Jabr al-Thani — “drove a hard bargain”, the court heard. The side deals meant that in addition to the disclosed fees that other investors received, Barclays paid the Qataris double the amount other investors got.

The fundraisings’ prospectus and subscription agreements implied that no extra fees were being paid to the Qataris, which was a lie, the SFO alleged.

And this FT article⁵ provides the underlying factors to the case:

Top executives at Barclays in 2008 were desperate for a multibillion-pound rescue from Qatari investors, admitting that without the aid the bank was “dead” and the Gulf investors had the British lender “by the balls”, a court has heard.

The revelations, disclosed on the second day of a landmark criminal trial of former Barclays chief executive John Varley and three former colleagues on fraud allegations, are the most detailed account to date of the frantic scramble inside the bank to avoid nationalisation at the height of the financial crisis.

⁴ Binham, C., 2019, Former Barclays chief dishonestly misled market, jury told: John Varley and three others accused of secretly funnelling £320m to investors to save bank, *Financial Times*, 23 January 2019.

Available at:

<https://www.ft.com/content/60ee842c-1f0a-11e9-b126-46fc3ad87c65>

Accessed January 2019

⁵ Binham, C., 2019, Barclays executive said bank ‘dead’ without Qatari funds, court told: Prosecution sets out directors’ efforts to save lender from ‘crisis-era’ bailout, *Financial Times*, 24 January 2019.

Available at:

<https://www.ft.com/content/31286928-1fd8-11e9-b2f7-97e4dbd3580d>

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The background and link to current SFO prosecution Continued

The efforts were ultimately successful and Qatari investors — including the Gulf state's sovereign wealth fund and prime minister at the time, Sheikh Hamad bin Jassim bin Jabr al-Thani — injected more than £4bn into Barclays in two emergency capital calls worth more than £11bn.

These ultimately saved the bank from a UK government bailout during the crisis, which decimated Barclays' share price and imperilled its high-street rivals.

So we will report new events as they happen with an comments and evaluations.