

Labour demand inquiry into Libor rigging scandal – John McDonnell

John McDonnell MP, Labour's Shadow

Chancellor, has today written to the Chancellor, Philip Hammond MP, to demand the opening of a public inquiry into the scandal of Libor interest-rate rigging.

Interest rate rigging could have cost the public billions and public bodies affected are due compensation

New

evidence uncovered by the BBC Panorama programme points to collusion between senior figures at the Bank of England and major banks to rig the critical "Libor" interest rate that trillions of pounds of financial products depend on.

And

court transcripts, shown below, from the recent trial of bank staff accused of rigging Libor also show that the rigging of this crucial interest rate was known to regulators and Bank of England staff at least as far back as August 2005.

But

with small businesses and public bodies dependent on loans and more complex financial products linked to the value of Libor, efforts to rig the interest rate could have cost the public billions. Schools, NHS hospitals and local authorities are all amongst those likely to be affected, particularly where they had been sold more complex Libor-linked financial derivatives.

The

Shadow Chancellor is asking for an immediate public inquiry into the rigging to establish who took the decision to apply this pressure, who was involved in its implementation, who was aware that this was taking place, and whether any impact assessment was undertaken at any point.

This

is essential in establishing the scale of compensation due to public bodies from banks engaged in Libor rigging.

John

McDonnell MP, Labour's Shadow Chancellor, said:

"The

revelations this week of the possible pressure being applied by senior public officials on banks to rig one of the world's most important financial metrics

demand an immediate response from this government. Continuing official silence from the Chancellor is not acceptable when confronted with this scale of rigging.

“It is essential that we clarify who took the decisions to rig the Libor index, and when, so that the schools, NHS hospitals and local councils that lost out can be paid the compensation that is rightfully due and public confidence in our banking system and official institutions can be restored.”