

Libor rigging – schools, hospitals, local councils all potential victims – Shadow Chancellor demands compensation for public bodies

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Local councils, NHS hospitals and schools engaged with PFI contracts, derivatives linked to Libor and day-to-day borrowing could be large scale victims of Libor rigging.

Yesterday, Shadow Chancellor, John McDonnell MP, called for the Chancellor to establish a public inquiry into the scandal. He is today demanding an independent assessment of the losses to public bodies and that where losses are identified as a result of Libor rigging, they must be made good by the banks.

Revelations by the BBC's Panorama programme concerning the involvement of the Bank of England and senior officials from major banks in the rigging of the Libor index raise urgent questions for the Bank of England and the Government:

- Did senior Bank of England officials, in allegedly applying pressure to banks to lowball their reported borrowing rates, act with or without the knowledge of Treasury officials and ministers?
- Was the Bank or Treasury aware of the potential costs to public authorities as a result of lowballing?
- How many public bodies have losses arising from their purchase of Libor-linked derivative products, and what are the scale of those losses?

John McDonnell MP said:

“This is now a matter of utmost concern that gets to the heart of failings in our banking system. Did senior officials at the Bank of England, with or without government encouragement, knowingly cause public bodies like NHS hospitals, schools and local councils to suffer potentially major losses?”

“My concern is that local councils, NHS hospitals, and schools could have paid a huge cost for the Libor rigging scandal. We need to know exactly what went on, what was the impact on public finances and who was responsible. Above all else if local councils and other public bodies suffered losses then the institutions responsible should pay them back for those losses.”