ANDREW MARR:
Well, as we've been hearing, the scandal about rigging interest rates has placed Barclays and possibly other banks as well under huge pressure. Investigators from the Serious Fraud Office have been in talks with the body that regulates financial services, the FSA, and its Chairman Adair Turner, Lord Turner is with me in the studio now. Welcome.

LORD TURNER:
Good morning.

ANDREW MARR:
Are we going to see bankers in jail, do you think?

LORD TURNER:
Well I think it's been a very black week for the reputation of British banking and I think people are justifiably angry at the practices, some of the practices which were present in particular in the run-up to the financial crisis of 2008. Now the situation on
the law is that we have looked very carefully at what types of cases we are able to bring, and in this particular case of Libor, because it is not what’s called a qualifying instrument under the act, it is not covered by the criminal law. We have, therefore, brought the maximum cases we can bring under our own powers for breaches of our principles.

**ANDREW MARR:**

It will seem to many people rather bizarre that fixing the interbank rate, which affects huge numbers of mortgage payers and indeed the general sort of health check of the banking system at any one time, that that is not a criminal offence. Was failing to make it so a mistake by the last government?

**LORD TURNER:**

Well I think if you go back over twenty years, we started with (in these sort of areas) a very light touch, self-regulatory approach, and slowly over the last fifteen years or so we have toughened approach. In fact the 1997 FISMA Act itself was a toughening. Further steps were made a few years ago to give us the ability to bring criminal charges in particular areas of market abuse, but they did not cover the Libor market, and I think we now have to look further and see whether we should strengthen these powers considerably on top of what we’ve got at the moment. So it has been a gradual strengthening over time …

**ANDREW MARR:**

Sure.

**LORD TURNER:**

… but I don’t think it’s gone far enough.

**ANDREW MARR:**

We know about Barclays, we know about RBS. Are you concerned that this practice may have spread to other banks as well and indeed that there may be collusion not only inside banks but between banks?

**LORD TURNER:**

Well what the notice, the statement of what went wrong that we brought out this week
made plain was that there were severe problems in Barclays, but we have ongoing inquiries in relation to a number of other banks - as do authorities throughout the world - and the case that we have brought against Barclays also shows some collusion, some interbank discussion which is there in what we’ve said. Now it is impor… (Marr tries to interject) it is important also … I do want to make the point that pretty much all of what we’ve talked about relates to the period of 2006, 2007, 2008. There have already been significant steps to tighten this up. I do not believe that the same behaviour is going on in relation to the Libor market now, but that doesn’t stop the fact that this is a terrible thing to find out. I think people who look at the quotes of these traders chatting about how they’re going to make money out of this and come over and have a bottle of Bollinger with me, this is the stuff which has really justifiably angered people.

ANDREW MARR:
Why did it take the FSA so long to find this out and how did you find it out?

LORD TURNER:
Well we found it out basically because rumours began to circulate. Often that’s how we find things out. The CFTC in the US began to look at it. We then got involved as well. This began in about 2009, the initial discussions. We then put together an investigation programme. Investigations of this sort take a long period of time to come to fruition, so our enforcement lawyers have been working on this continually for the last couple of years. So it’s not true to say that we’ve only found it out in the last week. The legal process has come to fruition in the last week.

ANDREW MARR:
If this spreads to Wall Street as well, as many people think, and there’s collusion between banks, first of all is that criminal - if there was collusion between banks to fix the rate; and, second, are you concerned about London’s position as one of the world’s great financial capitals because it could hardly be worse, the news that is echoing round the world at the moment?

LORD TURNER:
Well let’s be clear- in relation to the FSA’s powers to use criminal sanctions, they relate to a specific set of what are called “qualifying instruments” - specific things like
the equity price, etcetera, so we cannot use criminal powers in relation to this. If there has been what is called straight fraud, the SFO, the Serious Fraud Office has the ability to bring cases. And of course we have been in discussion. We always, when we bring cases, get into discussion with them. But the point you raise about the reputation of London, I think is important. As I say, most of these actions, in fact all of the actions which were covered this week occurred before May 2009 and most of them in 2006-7 and 8, but it’s still a huge shock to the reputation of the banking industry. And let’s be clear, it comes on the top of lots of other things that went wrong.

ANDREW MARR:
Absolutely.

LORD TURNER:
If you look at what happened in the derivatives markets, if you look …

ANDREW MARR:
(interjecting) Okay, we understand. Do you think, therefore, that the banks do need to be divided into the risk-taking merchant banks and as it were the ordinary banks - what the Vickers Commission has proposed, but possibly even going further than that? Do we need to see a division?

LORD TURNER:
I think the Vickers proposals are sensible proposals. I support them. It will separate banking to households and small business from the rest of banking. I think it is incredibly important for us to understand that that will not be sufficient in itself to deal with these problems because even in the bit which is …

ANDREW MARR:
(over) So would the banks be broken up?

LORD TURNER:
… even in the bit which is outside the ring fence under Vickers, which includes for instance the whole of the foreign exchange markets, the whole of lending money and providing services to major corporates - that’s also important to the real economy and
we need to make sure that the sort of practices we’ve seen are driven out of that area of finance as well.

**ANDREW MARR:**
Vince Cable has talked about a “cesspit of corruption”. Mervyn King has used very, very strong language. The public are outraged. There aren’t going to be prosecutions and you’ve explained why. Something has to change in the culture. How is that going to happen and when?

**LORD TURNER:**
Well the government is now looking after my report, the FSA’s report on RBS about whether we should change the law about the liability of directors. And one of the ideas that I put forward in the foreword to that report, which was produced last December, is whether we should switch round the presumption in some of our decisions; whether if you are a director of a bank that fails - so that’s not a matter of bad practice but it’s simply causing problems to the whole of the economy - whether there should be a presumption that you shouldn’t be allowed back into the industry again, a presumption that you can rebut …

**ANDREW MARR:**
(over) That you have failed and that’s it and you’re out.

**LORD TURNER:**
(over) That you have failed. Now of course you’ll have to be able to rebut that by saying well I was the guy who was trying to put up the red flags and stop that because that might be exactly the sort of person you want in the future industry. But the government I think is going to come forward this week with proposals in relation to that which follow on from our report on RBS, and I think those are among the ways that we can go forward in this respect.

**ANDREW MARR:**
Could be called more heads will roll proposals?

**LORD TURNER:**
Well I think that would be a reasonable description of it, yeah.
ANDREW MARR:
Adair Turner, thank you very much indeed for joining us.

LORD TURNER:
Thank you.

INTERVIEW ENDS