Bankers show we’re not in it together

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What a day for shareholder alignment: dividends axed for bank investors just days after the bankers pocket their 2019 bonuses. Covid-19 is rewriting corporate rules. But how nice to see some things never change. Whatever happens in this crazy world, bankers end up quids-in.

That it’s come to this is down to Britain’s tin-eared banks and off-the-pace financial regulators. It’s been clear for a fortnight from every other sector, with the exception of Big Oil, that companies were scrapping, or parking, dividends to preserve cash. Why should the banks be any different?

Yes, lenders are far better capitalised than in the financial crisis, partly due to taxpayer bailouts. But they’re in the eye of the storm, badgered to relax lending criteria to keep customers’ businesses afloat. For now, who wouldn’t keep the £7.5 billion due in dividends in the vaults: an extra buffer to ensure the virus doesn’t mutate into a banking crisis.

Yet try telling the banks that. For more than a week they’ve been adamant they’ll be paying the divvy: admittedly the key reason most investors hold bank shares. Barclays was first up with a £1.04 billion payout due on Friday and desperate to avoid any solo move that might have been taken to signal a weak capital position. But other banks were similarly insistent that they’d make their payouts.

Not now. It took a letter from the Prudential Regulation Authority boss Sam Woods, phrased with crowbar subtlety, to put an end to that. He warned that if the banks didn’t play ball, the PRA stood ready to use its “supervisory powers”. Even so, it was too late. And not only because the European Central Bank took a similar step last Friday.

No, because during the impasse banks have paid out billions in bonuses: $3.34 billion at HSBC, £1.49 billion at Barclays, $1.28 billion at Standard Chartered; £310 million at Lloyds and £307 million at RBS. The upshot? A canned divvy for the shareholders, but fat bonuses for the bankers, not least the lenders’ bosses. How nice is that?

True, much of their pay is in shares, deferred for up to seven years. But it’s a bit late for Mr Woods to be demanding that “banks not pay any cash bonuses to senior staff, including all material risk-takers”. At Barclays, there’s 1,700 of them, right up to boss Jes Staley. And they’ve just shared £600 million of the bonus pool, including immediate cash payments of £124 million. Mr Woods is only stopping next year’s moolah.

So should they give it back? Try demanding that of every trader, not least when there are no similar demands on US bankers. But what about the directors? Mr Staley took a £1.65 million bonus, £395,000 in cash. HSBC’s Noel Quinn got a £665,000 bonus for his six months in charge. Standard boss Bill Winters earnt £2.88 million bonuses. RBS’s Alison Rose, on basic pay of £1.1 million, took over too recently for a disclosable bonus, while Lloyd’s chief António Horta-Osório waived 2019’s bonus.

But, with bank shares on the slide, few top executives now find themselves aligned with shareholders, or their cash-strapped customers. True, even the cash element of Mr Staley's bonus is half-deferred, so he'll have only pocketed about £100,000 to date after tax. But both he and Mr Winters had total pay of almost £6 million last year. They can easily afford to put something back, or make a donation to the NHS. Time to show that we really are in this together.

Treated like divvies

Another day, another regulatory casualty of Covid-19: shares that go ex-dividend. Already, the virus has laid low all sorts of regulations: suspension of the "wrongful trading" rules for directors who suspect their company's heading for the knacker's yard; concessions on topping up the pension fund; a blind eye to shareholder pre-emption rights.

And now? The Bank of England's Prudential Regulation Authority is breezily redefining "ex-dividend" with its intervention over bank payouts. Shares in Barclays, HSBC, Standard Chartered and RBS had already gone ex-dividend, as long ago as February 27 in some cases.

That's the date at which a share starts to trade without the value of the next dividend payment. Equally, if you sell the shares on the ex-dividend date, you're still entitled to the announced payout. Share prices usually adjust. But some investors will have sold their bank shares for a lower price on the assumption they'd still receive the dividend. And now they've seen the usual rules done over by the Bank of England. Who better to be making it up as it goes along?