
Editorial

Harrods Bank

February 19 produced the interesting spectacle of the Governor of the Bank of England, Robin Leigh-Pemberton, being grilled by the Commons Trade and Industry Committee, under the glare of TV cameras, about action that might or might not have been taken by the Bank with regard to the ownership of the Harrods Bank. The Committee was anxious to discover why no steps had apparently been taken to revoke the licence of the Harrods Bank in the light of the DTI Inspectors' damning report in the summer of 1988 on the acquisition of the House of Fraser by the Al Fayed brothers, which had concluded that the Fayed had dishonestly misrepresented their wealth and their origins, and had lied to the inspectors. Surely this called into serious question whether they were "fit and proper" persons to control a bank?

Mr Leigh-Pemberton said that he accepted the Inspectors' report; he also

said that any (hypothetical) person who had lied about their financial and family circumstances would be "most unlikely", to be fit and proper to control a bank; but he doggedly refused to answer any direct questions pertaining to the control of Harrods Bank. When asked why, he replied that "the effectiveness of the Bank of England is absolutely dependent on the fact that people believe that information about people and institutions will remain in confidence". When the Committee moved to continue its proceedings in private session, the Governor indicating that he would be no more forthcoming in private than in public.

The MPs were furious and frustrated, but they had in a sense been hoist with their own parliamentary petard. Parliament itself (albeit at the instigation of the Government and the Bank of England) had, only three-and-a-half years previously, enacted the Banking Act 1987, which imposes on the Governor a duty of commercial confidentiality in the exercise of his

regulatory functions. There are good reasons for this, given the need to protect depositors from a possible (and perhaps undeserved) collapse of the financial confidence on which the viability of and Bank must depend. However, as David Lascelles pointed out in the *Financial Times* (20 February) there is on the face of it, "an absurdity in the law where the Bank is obliged to respect the confidence of people who have been strongly criticised by the DTI, and to weigh their interests more highly than those of the country's elected representatives". This episode suggests that the present balance is not quite right.