

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### BANK OF ENGLAND AND FINANCIAL SERVICES BILL [*LORDS*]

*Sixth Sitting*

*Tuesday 23 February 2016*

*(Afternoon)*

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New clauses considered.  
Bill, as amended, to be reported.  
Written evidence reported to the House.

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**Saturday 27 February 2016**

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY  
FACILITATE THE PROMPT PUBLICATION OF  
THE BOUND VOLUMES OF PROCEEDINGS  
IN GENERAL COMMITTEES

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**The Committee consisted of the following Members:***Chairs:* † MR GRAHAM BRADY, PHIL WILSON† Baldwin, Harriett (*Economic Secretary to the Treasury*)† Burgon, Richard (*Leeds East*) (Lab)† Caulfield, Maria (*Lewes*) (Con)Cooper, Julie (*Burnley*) (Lab)† Donelan, Michelle (*Chippenham*) (Con)† Fysh, Marcus (*Yeovil*) (Con)† Hall, Luke (*Thornbury and Yate*) (Con)† Kerevan, George (*East Lothian*) (SNP)† McMahon, Jim (*Oldham West and Royton*) (Lab)† McGinn, Conor (*St Helens North*) (Lab)† Mak, Mr Alan (*Havant*) (Con)† Mann, John (*Bassetlaw*) (Lab)† Marris, Rob (*Wolverhampton South West*) (Lab)Mullin, Roger (*Kirkcaldy and Cowdenbeath*) (SNP)† Newton, Sarah (*Truro and Falmouth*) (Con)† Skidmore, Chris (*Kingswood*) (Con)† Tolhurst, Kelly (*Rochester and Strood*) (Con)† Wood, Mike (*Dudley South*) (Con)Matthew Hamlyn, Fergus Reid, *Committee Clerks*† **attended the Committee**

## Public Bill Committee

Tuesday 23 February 2016

(Afternoon)

[MR GRAHAM BRADY *in the Chair*]

### Bank of England and Financial Services Bill [Lords]

#### New Clause 3

#### NOMINATION OF THE CHIEF EXECUTIVE OFFICER OF THE PRUDENTIAL REGULATION AUTHORITY: PARLIAMENTARY OVERSIGHT

‘The Chancellor of the Exchequer shall not nominate a person as Chief Executive Officer of the Prudential Regulation Authority without the consent of the Treasury Committee of the House of Commons.’—(*George Kerevan.*)

*Brought up, read the First time, and Question proposed (this day), That the clause be read a Second time.*

2 pm

*Question again proposed.*

**Richard Burgon** (Leeds East) (Lab): I would like to express my hearty support for new clause 3. Select Committees have routinely held pre-appointment hearings for a number of public appointments since 2008, with a number of candidates not approved. The previous coalition Government did develop the scrutiny agenda somewhat when the Chancellor agreed to the Treasury Committee having a power of veto over appointments to the Office for Budget Responsibility in 2010.

The Public Accounts Committee has a veto over the appointment of the Comptroller and Auditor General. Appointments to the Monetary Policy Committee and the Financial Policy Committee of the Bank of England are made by the Chancellor of the Exchequer and are then subject to a confirmation hearing by the Treasury Committee. The Treasury Committee has power over the chair and board members of the Office for Budget Responsibility, an arrangement that the Chancellor told the Treasury Committee he would put in place

“because I want there to be absolutely no doubt that this is an independent body”.

The Minister will be aware that, when it examined the proposals for the future Financial Conduct Authority in 2013, the Treasury Committee made a number of recommendations on the accountability of the new body to Parliament, including that the legislation provided that the chief executive of the FCA be subject to pre-appointment scrutiny by the Treasury Committee. The Treasury Committee was disappointed by the Government’s response, particularly in view of the deficiencies in the accountability mechanisms for the Financial Services Authority.

I would like to express support not only for the new clause tabled by the Scottish National party, but for the view of the Treasury Committee, as set out by its Chair, the right hon. Member for Chichester (Mr Tyrie), in his

letter to the Chancellor of the Exchequer on 26 January, following the appointment of the current Prudential Regulation Authority chief executive, Andrew Bailey, to be the next leader of the FCA. In that letter the right hon. Gentleman set out his Committee’s view that it should have a veto over the appointment and dismissal of the chief executives of both the FCA and the PRA. Indeed, the letter said that the FCA’s chair, John Griffith-Jones, told the Committee that there was merit in that proposal when he met its members on 20 January.

It would be helpful to know whether the Chancellor has responded to that letter, and whether the Minister can share with us now the Treasury’s thinking on extending pre-appointment hearings and the power of veto to those two positions. I thank the hon. Member for East Lothian for flagging up this issue with his new clause, which we support and will consider returning to on Report, if the Government are not on board with it.

**The Economic Secretary to the Treasury (Harriett Baldwin):** I am going to convince Opposition Members that this new clause is not necessary. I will give them an updated response on the Chancellor’s views and the process of recruitment for the new chief executive of the PRA, the deputy governor for prudential regulation. That newsworthy notification to the world is taking place in front of a large crowd, as we can see.

My understanding of the proposed new clause is that it would give the Treasury Committee a statutory veto over the appointment of the chief executive of the PRA, which is soon to be the Prudential Regulation Committee. I am well aware that the Treasury Committee, of which the hon. Members for East Lothian and for Bassetlaw are members, has proposed this measure. Last month, following the announcement of the appointment of Andrew Bailey as chief executive of the FCA, we received a letter from my right hon. Friend the Member for Chichester (Mr Tyrie), in which he argued that the Treasury Committee should have a veto over both the appointment and the removal of the chief executives of the FCA and the PRA. The Chancellor has replied to the Treasury Committee in a letter, which normally would be published by the Committee—I imagine that it has been published already. We believe that such an arrangement is neither necessary nor appropriate for the financial regulators, and I will articulate the reasons why.

First, such an arrangement is not necessary to protect the independence of the FCA and the PRA or of their chief executives. The model of independent regulation that we have in the UK gives the regulator a clear statutory framework of objectives and duties and ensures that regulatory decisions are taken in an objective and impartial way. Importantly, this legislative framework protects the independence of the PRA and the FCA chief executives. It includes provisions that require the terms of appointment to be such that the appointee is not subject to the direction of the Treasury or of any person.

We agree that it is important that the Treasury Committee holds a pre-commencement hearing before the new PRA CEO takes up their post. However, we believe that it is important that the Chancellor remains the person who is fully accountable for deciding on the right person for the job. Pre-appointment hearings are not common for chief executive posts. Hon. Members will understand

that such a process would potentially introduce scope for delay and public disagreement, which would not help to recruit good candidates. For example, candidates who are otherwise very good might not want to disclose their interest to their current employer in advance of confirmation of the appointment.

The hon. Member for East Lothian has argued that the arrangements for the appointment of the chief executives of the FCA and PRA should mirror those for the senior leadership position at the Office for Budget Responsibility; that appointment requires the consent of the Treasury Committee. However, the financial regulators are materially different from the OBR. The OBR was established to examine and report on the sustainability of public finances and, by doing so, to help Parliament hold the Government to account for their fiscal policy decisions—the same argument applies to the Comptroller and Auditor General—and as such the OBR has a unique model of dual accountability to the Government and to Parliament.

The previous Government proposed the statutory veto of the Treasury Committee over appointments to provide an assurance of independence and to ensure that those individuals at the OBR have the support and approval of the Select Committee. However, we do not believe that that model of dual accountability is appropriate when regulators are independently carrying out executive functions of the state, such as regulating and supervising the financial services industry. As I have said before, I would welcome the Treasury Committee holding a pre-commencement hearing with the chief executives of the PRA and the FCA. That would provide an important opportunity for Parliament to scrutinise new appointees to those offices before they take up their posts.

Let me update the Committee on the process for appointing the next chief executive of the PRA, who will take over from Andrew Bailey. The Government are running an open competition. The post was advertised on Friday 19 February, which was last week, and the closing date for applications is 4 March—the window is still open should any members of the Committee wish to apply. The appointment is made by the Queen, on the recommendation of the Prime Minister and the Chancellor. Interviews will be conducted in mid-March by a panel chaired by Sir Nicholas Macpherson, together with the second permanent secretary, the chair of the court and one of the other deputy governors. It is expected that the new chief executive will take up the position as soon as possible, but by 1 July 2016 at the latest. You see, Mr Brady, we have all the breaking news after 2 pm in this Committee.

There is another argument that is not in my speaking notes, but which I strongly believe is the case. Let us hypothesise that whoever is appointed through that process then goes through the pre-commencement hearing with the Treasury Committee that we have agreed, and that Committee produces a report that is extremely unfavourable to the person nominated by the Government. I think we can all see that, from a practical point of view, that would be as powerful as having a pre-appointment hearing.

Let us look back at the recent examples of Andrew Bailey's move to the FCA and, for those of us with slightly longer memories, the appointment in the previous Parliament of Mark Carney as the new Governor of the Bank of England. The Chancellor invested a lot of

personal time in those appointment processes, persuading individuals to come across. Imagine if he had had to say, "It is not actually in my power to offer you these jobs; it is in the power of the Treasury Committee." Would we have seen candidates of such quality prepared to put their names forward? I submit that we would not.

I therefore think that the Government have made the right judgment in agreeing to a pre-commencement hearing. I hope that I have explained to the Committee why I do not believe it would be appropriate to accept the new clause, and I hope that the hon. Member for East Lothian will withdraw it, or that the Committee will vote it down.

**John Mann (Bassetlaw) (Lab):** Dear, oh dear. Democracy only goes so far. The United States, with all its systems, must be appointing terrible people, seeing as elected politicians there have a whole range of conferments or otherwise, from the top of the judiciary downwards. Not to give an august body such as the Treasury Committee, which is elected on a cross-party basis by Parliament, the ability to reject an unsuitable applicant demonstrates the fundamental weakness of the last few Chancellors and of the current one, in the style of his predecessor but one—Mr Brown was an example, and Mr Osborne closely mirrors him in every way. Chancellors perceive that they have all the wisdom, yet they are not confident enough to trust a cross-party Committee that would rarely even contemplate criticising, never mind vetoing.

Having sat on that Committee at four different times with a range of Members—indeed, I seem to recall that you, Mr Brady, were one of its leading members when I was first on it—I know that there has never been an instance when it has misused its powers on a partisan basis. Of course, there may be exchanges, particularly with Chancellors and Ministers, where one senses and smells more of a partisan element. However, there has never once been an inkling of that in decision making.

For the Executive to hold in these powers is dangerous for the Executive and for Parliament. The power is simply with a single name; there is no choice or selection process. The proposal from the hon. Members for East Lothian and for Kirkcaldy and Cowdenbeath, which is the same one unanimously put forward by the Treasury Committee in this Parliament, is for the ability to interview and, if necessary, vote against an applicant. That focuses on what the Government want from the post holder and the skills that the post holder will bring. It scopes out precisely how that remit is seen by Parliament. We are the elected representatives. Therefore, in exactly the same way, very successfully, Parliaments past brought in the Select Committee system and further democratised that process through elections to Select Committees. That is popular inside the House and, as time will show, it is increasingly popular outside, as the general public understand how it has strengthened our democracy.

2.15 pm

It is a weakness of the Chancellor, and a weakness of this Government, not to be prepared to have that level of scrutiny. I put it to the Minister that the only scenario in which a nominee of the Chancellor would hit any significant problems with any Treasury Committee is if the Chancellor of the day had rushed hastily into the wrong kind of appointment and questions were raised on that basis. That must be the Chancellor's fear, and it

is an unconfident Chancellor—one wonders why—who is not prepared to trust his judgment against 11 elected Members of Parliament, re-elected by their peers to a Treasury Committee of which, by definition, the majority and the Chair are of the same political persuasion as himself. That is a sign of great weakness.

I feared that there was an element of that weakness when Mr Brown was Chancellor. It was weakness, rather than strength, in trying to hold on to too much of the decision making. I fear that the current Chancellor is of the same mould and does not have the confidence to trust his own judgment. Therefore, I believe that there should be, now and in future, the opportunity to vote on this if the Government are too foolhardy and choose to embarrass their Back Benchers by reiterating the weakness of the Chancellor, which is demonstrated by what the Minister has outlined this afternoon.

**Harriett Baldwin:** If I may, I will come back on some of the points made by the hon. Member for Bassetlaw, who seems, I submit, to prefer American democracy to British democracy. I do not know whether this is a preference he has publicly stated, but it certainly seems to be his revealed preference, judging by his comments before lunch on the second Chamber and his comments now. American democracy is very different from ours, it is true, and I am sure that each has different advantages and disadvantages. In America, the judges are elected, for example. That is not something that we have chosen to do in this country. In America, obviously, their second Chamber is directly elected. That is not something that this Parliament has yet chosen to do.

Obviously, the power of the Executive in the British system of democracy is considerably greater when it comes to Budget matters than in America, where for a long time they were unable actually to pass a Budget. In America, where the Senate must confirm presidential nominations for many public appointments, there have been significant delays in filling vacancies. At the end of 2010, for example, 22%—over one fifth—of Senate-confirmed positions remained unfilled or temporarily filled by acting officials. Introducing scope for delay and public disagreement could impede the recruitment of good candidates to these positions. These are Executive posts and, as I said previously, candidates may not wish to reveal their interest to a current employer in advance of being confirmed in the appointment process.

**George Kerevan** (East Lothian) (SNP): I remind the Committee that for most of last year the Treasury Committee was in touch with the Chancellor, who was very dilatory in making a fresh appointment to the head of the FCA. Delays can occur even when the Executive are in charge.

**Harriett Baldwin:** Again, I have to disagree with the hon. Gentleman. There has been a very capable and competent acting chief executive at the FCA throughout this time. I submit that the hon. Member for Bassetlaw would rather that Bassetlaw were in America, from what he has said.

**John Mann:** Will the Minister give way?

**Harriett Baldwin:** I will allow the hon. Gentleman to rebut that calumny.

**John Mann:** The Minister should know her history. The Pilgrim Fathers and the pilgrim contract that created western democracy in the style of the United States originate from Bassetlaw, as does the Great Reform Act of 1832. The writer of the Great Reform Act lived in my house at the time. Bassetlaw and American democracy therefore go together, but we are English. We are part of the United Kingdom. We want our Parliaments to be confident enough to make decisions. If it is not good enough for the Monetary Policy Committee and the OBR, is the Minister really saying that we are not getting people of suitable calibre for those posts?

**Harriett Baldwin:** The Minister really is saying that. I am saying that these are Executive roles, which the Executive should continue to be able to appoint, obviously with a pre-commencement hearing by the Treasury Committee. I fear that the hon. Member for Bassetlaw's ancestor's ticket for this voyage must have got lost, but it was very interesting to hear about the connection with his constituency. Without more ado, I urge the Committee to reject this amendment.

**George Kerevan:** I normally have a great deal of respect for the Minister's judgment, but I detected something in her tone which said that even she did not fully agree with her position. On the first point, she argued that statute guarantees the independence of the regulators. If there is anyone in this room, including the Minister, who can put their hand on their heart and truly say that no regulator has ever been leant on by a Minister of any party, then I will accept where the Minister is going. I am a tiny, wee bit cynical that sometimes, despite statute, Ministers of all parties and all jurisdictions tend to lean. We should try to tempt them away from that by giving a parliamentary underpinning to the role and the position of the regulator. That is at the heart of this.

The Minister also cites the problem that might arise from dual accountability to the Executive and to Parliament. If there is conflict, I am always happy for Parliament to triumph over the Executive, but maybe the Minister wants this to be the other way round—indeed, she has said as much. My point is that we already have a degree of dual accountability. The Treasury Committee, standing for Parliament as a whole, questions the regulators on a regular basis to make sure that they are fulfilling their brief. The Committee is not questioning them on policy, but to make sure of their independence. The actual accountability already exists. We are just making it clearer here.

The Minister says that as an alternative there could be a pre-commencement interview. If there is a problem with confusion of lines of responsibility, that is actually a worse way to go than making it clear that the Committee, standing in for Parliament, does have the role of confirming the appointment.

My final point is that this would interfere with the quality of the candidates we might get. I remind the Minister that every single member of this Bill Committee had to stand for election. We put ourselves before the electorate; that is democracy. All we are arguing for is the principle of democratic accountability. If there are candidates for senior Executive positions who are frightened of democracy, they do not deserve the job.

*Question put.* That the clause be read a Second time.

*The Committee divided: Ayes 6, Noes 10.*

#### Division No. 4]

#### AYES

Burgon, Richard	McGinn, Conor
Kerevan, George	Mann, John
McMahon, Jim	Marris, Rob

#### NOES

Baldwin, Harriett	Mak, Mr Alan
Caulfield, Maria	Newton, Sarah
Donelan, Michelle	Skidmore, Chris
Fysh, Marcus	Tolhurst, Kelly
Hall, Luke	Wood, Mike

*Question accordingly negatived.*

#### New Clause 4

##### CHANGE IN TITLE OF THE BANK OF ENGLAND

‘The Bank of England shall be known as the Bank of England, Scotland, Wales and Northern Ireland; and any reference in any enactment to the Bank of England shall be taken as a reference to the Bank of England, Scotland, Wales and Northern Ireland.’—(*George Kerevan.*)

*Brought up, and read the First time.*

**George Kerevan:** I beg to move, That the clause be read a Second time. Forgive me, Mr Brady; I do not normally like the sound of my own voice quite so much as to speak so often, but I will get this over as quickly as I can.

New clause 4 suggests a change in the title of the Bank of England to the Bank of England, Scotland, Wales and Northern Ireland. I know I am at risk of being accused of triviality. In defence, because we are talking about a Bank of England Bill, I thought it was pertinent to bring the matter up. I accept that it is a minor aspect of the legislation.

I am not claiming ownership of the Bank of England for Scotland, even though that institution was first mooted by William Paterson in the 1690s. He suggested the original project to lend His Majesty’s Government the sum of £1.2 million. The geek in me made a quick calculation of what that would be worth today, and it comes out at about £26 billion, so that was quite a serious project for the time. The yield on the original loan was 8%, which was a good deal better than one would get today.

Let me quickly get to the core: why change the name? I appreciate that it is an historic name known around the world and is a great brand. There is a minor irritation in the other parts of the kingdom at the use of the name England. That is no offence to the great people of England—my father is from Liverpool—but it is a minor irritation. But that is the least of it.

I talk of a great global institution, one that has played even more of a global role since the crisis of 2007-08. If it is to play that global role and represent a modern Britain, it needs a name that reflects a modern Britain. That is the issue for me. The intent of the Bill for the Government and the officers of the Bank of England is to modernise. What better opportunity to have a modern name?

I am suggesting a minimum change in legal terms to the Bank of England, Scotland, Wales and Northern Ireland. I suspect that in day-to-day operations it would be comparable to a company saying, “This is the legal name but trading as.” I am sure that for a generation to come it would still be known as the Bank of England, but honour would be settled by the fact that the legal title would be as I suggest. It is the minimum change, and it is put forward as an attempt to gain some common ground.

I know that a number of my colleagues—and not only in the SNP—are considering tabling other amendments with other names on Report. The issue is not going to go away, but I think this solution is doable and still retains the tradition of the Bank of England, which I am sure the Minister will defend.

**Richard Burgon:** What’s in a name? But we are happy to support the renaming of the Bank of England to the more accurately titled Bank of England, Scotland, Wales and Northern Ireland, purely on a principled basis, given that they all fall under its area of geographical responsibility.

2.30 pm

There are some practical questions that flow from the proposed new clause. I appreciate that the hon. Member for East Lothian may wish to respond but, equally, the Minister may wish to reply. First, does renaming the institution require the coins and notes upon which the Bank’s name is minted and printed to be reissued with the new name and, if so, over what period would that reissue take place and at what cost?

Secondly, the hon. Member for East Lothian commented that this change, were it to be accepted, would last for a generation to come. I do not know whether that reveals some pessimism on his part about future plans for independence. Is it a recognition that even if Scotland were to be independent, it would definitely wish to retain the Bank of England—or the Bank of England, Scotland, Wales and Northern Ireland—as the central bank? We look forward to answers to these questions and, if there is a Division, we will support this new clause.

**John Mann:** Before my hon. Friend sits down, would he like to contemplate that in the unlikely event that Scotland becomes independent and I am an elected Member of this House, I will certainly not be voting to allow Scotland to remain within sterling? Therefore, the likelihood is that Scotland will be required to have the euro as its currency. So if the name were to change and Scotland was using the euro, would the Government of the day not have to change the name back again in order to give some proper accuracy and balance?

**Richard Burgon:** I thank my hon. Friend for that intervention. It is very helpful. I have to say that I cannot foresee any circumstances in which my hon. Friend would not be re-elected and re-elected as the hon. Member for Bassetlaw—he truly is a man of the people—but I can foresee circumstances where the SNP’s desire might not reach fruition. My hon. Friend raises complicated and important questions and I look forward to the Minister’s response to them.

**Harriett Baldwin:** Members on the Opposition Benches have highlighted in a nutshell the essence of this debate and made some of the points I was going to make. The Bank of England as an entity predates the United Kingdom itself: it was founded in 1694, before the Union, and in the intervening 322 years it has built a globally prestigious brand, if I dare call it a brand. It is well known around the world and has a worldwide reputation as a strong and independent central bank, although independence obviously came quite a bit later. The hon. Gentleman's amendment would not change this and it is not something we should dismiss lightly, but I think that people would still carry on referring to it as the Bank of England.

The Bank exists to serve the entire population of the United Kingdom. Its mission statement is:

"to promote the good of the people of the United Kingdom by maintaining monetary and financial stability",

but I can understand from his political allegiance why the hon. Gentleman did not propose in his amendment that it be renamed the Bank of the United Kingdom, because his party's aspiration is that we become a disunited kingdom, although we all sincerely hope that that never comes to pass.

I remember that in the referendum campaign there was some talk, not only of whether the euro would become the currency of Scotland, but of the great becoming the currency of Scotland. I think that not answering that question was one of the real problems that the nationalists encountered in the 2014 referendum. It is worth reminding the Committee that the Bank has a clear framework for ensuring it understands the economic picture across England, Scotland, Northern Ireland and Wales, through 12 agencies located in the regions and countries of the UK. Naturally, Scotland, Northern Ireland and Wales all have their own individual Bank agencies, as do the regions of England, and the agents in these branches and across the rest of the country meet with some 9,000 contacts a year from a range of sectors, which provides a wealth of economic and financial intelligence to the Bank's policy committees.

That vital source of information helps the Bank's policy committees to understand both the financial and non-financial conditions for businesses in all four parts of the United Kingdom, whether it is a business's ability to access credit, the condition of the housing market or the level of output. The Bank actively seeks to understand economic and financial conditions in all corners of the United Kingdom in order to set appropriate monetary policy in the United Kingdom.

It is not only the Bank's agents who are the external face of the Bank. Members of the MPC, the FPC and the PRA board regularly make speeches and meet with businesses across the United Kingdom. In fact, in 2014-15, members of those three organisations conducted 54 visits in different parts of the UK. Engagement in the different countries and regions of the UK is clearly important at the highest levels of the Bank.

The Bank of England is known as the central bank of the United Kingdom. The hon. Gentleman's new clause would make no practical difference on the ground. He himself referred to the name being a "minor irritation". Changing a name steeped in more than 300 years of history, particularly to the name that he suggests, would be to the detriment of the institution. It has become

internationally renowned and respected with that name, and the value of that recognition should not be underestimated. International confidence in the Bank of England helps to support international confidence in our economy. Changing the Bank's name would undermine that international recognition of it as a world-class central bank, and I therefore gently urge the hon. Gentleman to withdraw his new clause.

**George Kerevan:** Any change to the Bank's name would not affect coins because the Bank's name does not appear on coinage, as far as I remember. It does, however, appear on notes. If there was ever an agreement to change the name of the Bank of England, that would have a knock-on effect on notes, but a sensible solution would be simply to let the notes wear out, as they do quickly, and then change them. I am certainly not proposing any name change that would have a major cost; I would not want that.

Members on both sides of the Committee raised the issue of what would happen if Scotland were to become independent. If I gather correctly the drift of the contributions, Members are worried that if Scotland becomes independent post Brexit, the name would have to be changed back. I am glad that Members are still alive to the fact that the independence issue is alive and well north of the border. I will not tempt the Chair's patience by going too far into that; we will cross that road when we come to it, but I am glad Members are aware that the issue has not gone away.

The Minister's final suggestion was that if there were to be a name change, it would be better to change it to something such as the Bank of the United Kingdom, and that I am being in some way devious by proposing this longer name. There was discussion about what the new name would be. I have tried to alert Members that that debate is going on in other parties within the House. I have heard suggestions such as the Sterling Central Bank. It seems to me that the longer form I propose is the least change and is therefore most able to encompass the Minister's last point—we want to retain some of the tradition of the Bank, which was founded initially by a Scots person.

This is a live issue. The name will be changed at some point. Once a debate such as this emerges, it can only go in one direction. It would be better to choose a name that we can all agree on in the here and now. If the Minister rejects that on the basis of some grand tradition of the Bank of England, that undermines the essence of the Bill, which is to modernise the Bank and make it one that works for the whole of the nation as it is presently constituted. She and her Government are hiding behind the notion of modernity but they actually want to maintain a Bank which is run by the Executive, and which is not anywhere near as efficient as she thinks it is in terms of managing the prudential aspects of the economy.

*Question put, That the clause be read a Second time.*

*The Committee divided: Ayes 5, Noes 10.*

#### Division No. 5]

#### AYES

Burgon, Richard  
Kerevan, George  
McMahon, Jim

McGinn, Conor  
Marris, Rob

**NOES**

Baldwin, Harriett	Mak, Mr Alan
Caulfield, Maria	Newton, Sarah
Donelan, Michelle	Skidmore, Chris
Fysh, Marcus	Tolhurst, Kelly
Hall, Luke	Wood, Mike

*Question accordingly negatived.*

**New Clause 8****BOARD OF DIRECTORS OF THE BANK**

'In the Bank of England Act 1998, as amended by this Act, for the words "Court of Directors" in each place where they occur there are substituted the words "Board of Directors"; and any reference in any other enactment to the Court of Directors shall be read as a reference to the Board of Directors.'—(*Richard Burgon.*)

*Brought up, and read the First time.*

**Richard Burgon:** I beg to move, That the clause be read a Second time. This is a simple new clause to change the terminology and move the Bank into the modern world. We have heard the Minister talk in this Committee about the importance of modernising the institution, and we have also heard eloquent discussions of the need to modernise from both the hon. Member for East Lothian and my hon. Friend the Member for Bassetlaw. The clause is a very simple way of showing that we are serious about this.

The Bank and the court of directors were established, as the Minister reminded us, in 1694. A lot of things have changed since then. The Bank is the second-oldest central bank in the world, after the Swedish Riksbank, and it is the eighth oldest bank. The Bank's own website states that,

"the few public companies formed at the time of the Bank's foundation, in 1694, tended to be governed by Courts of Directors".

The phrase "courts of directors" is not used in relation to companies these days. It is worth asking whether the term "court of directors" survived into the modern day in other institutions, and whether this matters at all. Of course, this term did not survive into the modern day in other institutions, unless the Minister can tell me that I am wrong in that regard. If this does matter, should we continue to call what is currently termed the court of the Bank of England by that name? The Treasury Committee report of October 2011, "Accountability of the Bank of England", stated:

"The Court is the governing body of the Bank of England. In this respect, it is the board of the Bank".

The report also said:

"Given that the Court has changed recently, its name is outdated and does not give a clear picture of what the Court actually does. In terms of corporate governance the Court is the Board of the Bank and its name should change to reflect that. To reflect the shift of emphasis in its role, we recommend that the governing body of the Bank (Court) change its name to the 'Supervisory Board of the Bank of England'. References below to the Board of the Bank of England in this report use this term. Whatever name is ultimately chosen, we strongly recommend that the term 'Court' is abolished".

Those are the words of the Treasury Committee report in October 2011. I know that the court of the Bank, in replying to this report, did not express any opposition to this modest proposal to rename it. The court's response read:

"Whether or not to rename Court is a matter for Government. We simply note that Court itself is divided on the balance of the arguments".

In considering the cases for and against the renaming of the court of the Bank of England, the court stated:

"On the one hand, renaming would recognise the considerable changes in Court's actual and prospective responsibilities in the past decade. On the other hand, it could give rise to serious misunderstandings, since amongst central banks 'Board' is often used to refer to an executive and/or policy making committee, as exemplified by the Federal Reserve Board and the Executive Board of the European Central Bank".

We believe that such concerns can be overcome. The board—or the supervisory board, as the Treasury Committee would prefer to call it—would not be changing its responsibilities with this name change. Such a change, however, would be one small statement to help connect it to modern practice in terminology in major financial institutions. It would also cut through some of the mystery of the workings of the Bank and help make it more accessible to everyday people.

2.45 pm

This is a modest proposal put forward by what my hon. Friend the Member for Wolverhampton South West calls a moderate Member. The only downside is that it robs the media who like to refer to the Governor of the Bank of England somewhat cynically as the Sun King of that joke.

The proposal should be accepted and there is no reason why it should not. People outside would welcome this as a signal that we want the Bank of England to be accessible, transparent and moving into the modern age.

**Harriett Baldwin:** What is in a word? The hon. Gentleman has set out the case for changing the name of the court. I do not know about you, Mr Brady, but I rather like some of our old traditions in this country.

The court has existed since the Bank's inception in 1694. The composition and structure have obviously changed over its long history. Initially, there were 26 individuals on the court, while today it is much smaller, with the executives and non-executives, and is much more characteristic of a modern, unitary board. The term supervisory board, used by the hon. Gentleman, is more redolent of the German approach to corporate governance than the British one. I am sure he will provide me with examples. It is not the Americans this time, but the Germans.

For me, there is charm in the term "court", which is rooted in this long history. It has no particular mystery about it; it merely refers to the Bank's governing body, which does indeed operate like a modern board. I do not feel we should argue over semantics. We should look at how the court functions. As the Committee has already heard, the court is now far smaller and far more effective than it was historically. There is a clear division between the role of the chief executive and the non-executive chair. The court is comprised of a majority of independent non-executive directors, and there are formal, transparent appointment procedures for executive and non-executive directors alike.

The changes in the Bill, which we have discussed at such great length, will further enhance the role of the court, making it a stronger decision-making body. In

[*Harriett Baldwin*]

particular, to remind the Committee, we are making the oversight functions the responsibility of the whole court, ensuring that every member of the court—executive and non-executive—can be held to account for the use of these functions.

This brings the court into line with the recommendations in the Treasury Committee report. My view and that of the Government on the amendment is clear. Changing the name of the court would make absolutely no difference to how it operates in practice. It is the provisions in the Bill that will do that. I oppose the suggestion to change the name from the rather quaint and old-fashioned term of “court”, which has for me some charm.

**Richard Burgon:** That was indeed a charming oration from the Minister about how things were done in the past and continue to be done to this day. As much as I like many aspects of the history of this country, I am not persuaded that we should not press the matter to a vote. In the name of modernity, I seek to divide the Committee on this issue.

*Question put,* That the clause be read a Second time.

*The Committee divided: Ayes 6, Noes 10.*

**Division No. 6]**

**AYES**

Burgon, Richard  
Kerevan, George  
McMahon, Jim

McGinn, Conor  
Mann, John  
Marris, Rob

**NOES**

Baldwin, Harriett  
Caulfield, Maria

Donelan, Michelle  
Fysh, Marcus

Hall, Luke  
Mak, Mr Alan  
Newton, Sarah

Skidmore, Chris  
Tolhurst, Kelly  
Wood, Mike

*Question accordingly negated.*

*Question proposed,* That the Chair do report the Bill, as amended, to the House.

**Harriett Baldwin:** Mr Brady, as we come to the final question of our proceedings, I put on record the Committee’s gratitude to you and Mr Wilson for having chaired our sittings so effectively. I also thank the Clerks and the *Hansard* reporters. For their incredibly diligent work behind the scenes—so often it is unsung—I also thank the Treasury officials, the Treasury legal team and, in this case, the Bank of England’s legal team. I put those thanks and that gratitude on the record. I also thank all members of the Committee for the care and attention that they have given to the line-by-line scrutiny of the Bill.

**Richard Burgon:** I echo the sentiments expressed by the Minister. I thank you, Mr Brady, and Mr Wilson, the co-Chair of the Committee, for your chairmanship. I thank the Clerks and the staff. I thank the Minister for her patience and courtesy and for the detailed responses she has given throughout our proceedings. I also thank my hon. Friends and all members of the Committee. We have no objection to the Bill being reported to the House.

*Question put and agreed to.*

*Bill, as amended, accordingly to be reported.*

2.52 pm

*Committee rose.*

**Written evidence reported to the House**

BoE 03 Building Societies Association

BoE 04 Parliamentary Debt Management Working Group  
(DMWG)BoE 05 HM Treasury memo relating to Standing Order  
No. 83L

