HOUSE OF COMMONS

TREASURY COMMITTEE

BANKING CRISIS - PRESS AND BUILDING SOCIETIES

Wednesday 4 February 2009

MR ALEX BRUMMER, MR LIONEL BARBER, MR ROBERT PESTON,

MR SIMON JENKINS and MR JEFF RANDALL

MR GRAHAM BEALE, MR ADRIAN COLES, MR IAIN CORNISH

and MR NEVILLE RICHARDSON

Oral Evidence

Taken before the Treasury Committee

on Wednesday 4 February 2009

Members present

John McFall, in the Chair

Nick Ainger

Mr Graham Brady

Mr Colin Breed

Jim Cousins

Mr Michael Fallon

Ms Sally Keeble

Mr Andrew Love

John Mann

Mr George Mudie

John Thurso

Mr Mark Todd

Sir Peter Viggers

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Witnesses: Mr Alex Brummer, Daily Mail, Mr Lionel Barber, Financial Times, Mr Robert Peston, BBC, Mr Simon Jenkins, Guardian and Mr Jeff Randall, Daily Telegraph and Sky, gave evidence.

Q608 Chairman: Good afternoon and welcome to this session of the Banking Crisis, the Role of the Media. Can you introduce yourselves please and where you come from for the shorthand writer?

Mr Randall: I am Jeff Randall, I am here representing Sky and the Daily Telegraph.

Mr Barber: Lionel Barber, I am the Editor of the Financial Times.

Mr Peston: I am Robert Peston, the BBC's Business Editor.

Mr Brummer: I am Alex Brummer, the City Editor of the Daily Mail.

Mr Jenkins: Simon Jenkins from the Guardian.

Q609 Chairman: You are all welcome. Many submissions to this inquiry have stressed the importance of maintaining press freedoms even during periods of financial instability, and that is a sentiment which I share. However, is there a case for journalists to exercise self-restraint and temporarily delay publication of a story, perhaps for a few hours or a day or two, where there is a risk that immediate publication would trigger widespread market turbulence or lead to the collapse of a particular institution? Robert?

Mr Peston: Well ---

Q610 Chairman: Sorry, I just picked you at random!

Mr Peston: It seems to me that there are two related issues here. At the risk of sounding slightly pompous and pretentious ---

Q611 Mr Fallon: Go on!

Mr Peston: --- it seems to me there is a public interest in letting millions of people know what is going on with their banks and what is going on with the economy, and if their banks are weaker than they think to be the case then there is a public interest in telling them such, and telling them the more general problems we have been experiencing with the economy. I can only speak for the BBC but we do not broadcast, publish on the blog, stuff without giving it huge amounts of thought, obviously going through a massive detailed verification procedure, and I will talk to senior editors about what we do, but at the moment where I feel that the story is being nailed down and the wider social public interest is served by publication of course we just publish. I suppose the issue for me is the counter-factual. If we had delayed in any of the cases which have caused a bit of frisson, what would the benefit actually have been? I do not know whether it is appropriate to go into the three or four stories which have made a few waves which we have done over the past 18 months or so, but I would argue in the case of each of them there was a public interest in disclosing what was going on - Northern Rock, HBOS, Bradford & Bingley, Royal Bank of Scotland - and I also find it difficult to people, in fact I would argue very strongly, that where they are today is precisely where they would have been whether we had or had not shared that information with the general public. Therefore the bit of the argument which slightly escapes me is, what would be gained by a period of delay or a bit of censorship. I am not sure the world would be any different.

Q612 Chairman: We have until 10 to 4 and all my colleagues want to ask questions, so we will try to have brief questions and even briefer answers.

Mr Peston: Sorry.

Q613 Chairman: Everyone will have their opportunity but, Alex, you go at the end because we have something special for you. Jeff?

Mr Randall: I agree with Robert. In the case of Northern Rock, and I guess that is what you are driving at, it was a deeply flawed bank with a broken business model, it did not collapse because Robert very cleverly revealed it had asked for help, it collapsed because it was a bust business. Had Robert delayed it for a couple of days, would it have made any difference, would it today be a solvent bank, absolutely not. I think he was perfectly justified in putting out the story when he did.

Mr Barber: There is a difference, Mr Chairman, between restraint and self-censorship. The fact is, as Jeff and Robert have alluded to, there were rumours going around for a long time, months, before about Northern Rock's financial health, its excessive reliance on wholesale funding and nobody wrote about it because at that stage they were rumours. There are also very clear rules, at least at the Financial Times, that before we publish stories we want two sources, we also do not publish stories which we know, we think, may have a big impact on the market, and if they are anonymous quotes we try and identify them as best we can. Overall, I think the conclusion is absolutely clear, Northern Rock was operating a flawed business model and they were caught out, so nothing the BBC and the way it was reported would have affected the outcome.

Q614 Chairman: Simon Jenkins, mindful of the letter the Chief Executive of the British Bankers' Association sent to the Select Committee for Culture, Media & Sport, where she complained about the procession of leaks and said, "more astounding, in all cases it is the BBC via their Business Editor, Robert Peston. He is of course perfectly entitled under the current Market Abuse rules to use this information but it is also quite clear that the market turbulence caused was extraordinarily substantial and has been particularly damaging both for the institutions involved, the sector, its customers and the UK economy." She says that it is not a BBC-bashing exercise but perhaps the BBC acted injudiciously in this regard. Given everybody is agreed up to this moment, I am looking for a different point of view.

Mr Jenkins: I am not sure I can give a different point of view. Let's take a hypothetical. In this case, I think those people involved can legitimately say they were acting in a considered fashion. They were not going to be telling a lie. They were not intending to wreck an otherwise valid bank and they were acting in the public interest. I assume the reason for your question is, let's suppose those assumptions were the case, let's suppose a reckless journalist went on the radio - and radio is of course 24/7 and you do not have the pause we get eight hours before the stuff gets read and people can respond immediately to what they hear on the radio - suppose he or she just decided they were going to go on the air and say, "This is a dud bank, sell every penny you've got in it", the consequence of which being the destruction of a bank. Presumably the reason why you are asking these questions is, you want to know if there is some new regulatory framework which ought to restrain journalists from doing that, otherwise you are describing the world as it is. All I would say to that is to me the interesting question is, is it like war? During the Falklands, newspapers were constantly being told, "If you publicise this information right now it will jeopardise our troops", and that did indeed happen on one occasion. Most newspapers accepted that without there being a formal statutory framework to control them. But the truth of the matter is that there is the old saying, "I am a responsible journalist, you are an editor and he is a censor", we are all in this game and we are all trying to be responsible. I think one of the virtues of established news media organisations is they are to a certain extent trained to be responsible. I am much more worried about the bloggers sphere where anything can go out. I am glad it was Robert and not a blog which did what happened to Northern Rock.

Q615 Chairman: Alex, your book, The Crunch - a very good book which I have read, and actually I loaned it but my colleague, George Mudie bought it, so that is good news ---

Mr Brummer: Anything to help sales!

Q616 Chairman: On page 81 you say, "The BBC's Business Editor had a brilliant scoop but the normally cautious broadcasting network had inadvertently precipitated a crisis." You went on, on page 204, to say, "The BBC's excitable reporting of Northern Rock's troubles may have contributed to the vehemence of the run on the bank."

Mr Brummer: I did write that and Robert and I have discussed it on occasions. What I thought was that the tone of the report rather than the content of the report may have made people slightly unsure what was going on. I am still of that view. However, we have to bear in mind here that most of the response was really the result of the poor systems that Northern Rock had, that they had computers which broke down, they had very few branches so the queues built up very quickly. Indeed when I think back on the episode now, I actually think Robert did everyone a big favour. He did them a big favour by alerting small depositors, they were taking a perfectly rational decision to withdraw their money because what was going on behind the scenes, which none of us could see, was the big, wholesale depositors, the big operators in the money market, were moving their money out by the billions. So they had inside information, they knew what was going down, the small depositors did not, so he alerted them to that. Maybe if he had a more calm, traditional BBC voice it may have not quite seemed like it did, but I was not arguing with him doing the reporting, I was only arguing with the tone of the reporting. Also to mention, he did mention in that report that everybody had deposit insurance of up to £35,000 - as it was at that moment because it has been extended to £50,000 since - they would be covered by that deposit insurance, which was an important fact to get out there. That is something which I think the papers have done throughout this crisis, they have referred to the safety nets which exist and let people know about those.

Q617 Mr Fallon: Mr Peston, it has been suggested that one of the reasons for your success is your closeness to the Treasury. Do you have particular access to the Treasury?

Mr Peston: Mr Fallon, I think you will not be surprised that the one area where I am uncomfortable talking in public is about sourcing, of any sort. Over the years, I have benefited from private conversations with members of this Committee and I think it would be very unlikely any of those members would wish me to divulge those sorts of chats. If you will forgive me, the one thing I would say is, I have been a journalist for 25 years, I have done political journalism, I have done business journalism, I like to think I have decent contacts in the City, I have decent contacts in Government, in Whitehall, the regulators. When I do a story it is normally a process of putting together a jigsaw puzzle. It is very, very, very rarely in my line that somebody has rung up and said, "I have a corker for you, here you go" and handed me something on a plate; it almost never happens. I know a bit about banking, I have been a banking editor in the past actually on Lionel's paper, the FT, and in the summer of 2007 when markets closed down I concluded this was likely to be the biggest story of my career and I immersed myself in it and more or less everything I have done since then has been a process of talking to hundreds of people working out the trends and working out what the stories were.

Q618 Mr Fallon: All right, but do you have particular access to the Treasury? Do you have a pass to the Treasury?

Mr Peston: I am perfectly happy to say that I do not have a pass to the Treasury.

Q619 Mr Fallon: How often are you in the Treasury?

Mr Peston: No more often than I am in big banks. I do not know, is the answer. I am sure if you asked the Treasury they have a record of when I turn up. A few times a year; I do not know.

Q620 Mr Fallon: It has been suggested the senior official in charge of this whole area in the Treasury, the Second Permanent Secretary, John Kingman, was a former colleague of yours and therefore might have been in a position to help you confirm particular stories. Is that right?

Mr Peston: I am simply not going to get into who I talk to about any story. I know lots and lots of people, including you, and I talk to lots and lots and lots of people.

Q621 Mr Fallon: But the suggestion has been that you have had access, I understood in the Treasury or indeed through the banks, to preferential information and that might well have been in the interests of those giving you the information as much as yourself?

Mr Peston: I can say that I have never felt I was in receipt of preferential information from any source at all. What I do is I try and understand what is happening in the world, and then I talk to as many people as possible to work out whether my ideas about where stories might go turn out to be correct, and I have never felt I was getting special help from any source at all.

Q622 Mr Brady: Mr Peston, you said earlier in response to the Chairman that you go through a process of thought and verification and you publish when the wider interest is served. Has there ever been an instance where you have decided that the wider interest would not be served by publishing a story you knew to be true?

Mr Peston: No. I, however, have delayed publication until I am absolutely certain of all the material information. I have discussed, for example, in the past the process which led me to broadcast about Northern Rock, for example. This was a story I have been following in some ways for years actually. In 2003 I first identified Northern Rock as a bank whose business model I was a little bit concerned about, it seemed to me it was growing far too fast, I wrote about it in the Sunday Telegraph and for years I looked like a bit of a plonker because the share price went up and up and up and the fact I said I thought this may be heading towards some kind of an accident looked wrong; I looked like an idiot. However, when wholesale markets, the market for mortgage-backed securities, closed down in August 2007, because I was aware that much of their funding came from that source, this was a bank I kept a very close eye on. Because plainly unless those markets re-opened it would have a very big problem, it was a story I followed over a period of weeks, and there came a moment on that particular day, which was 13 September, when I felt the pieces fitted together and then I telephoned a chap called Peter Horrocks, who is the Head of Television News, and we talked about how we would get it out, and we broadcast it.

Q623 Mr Brady: So as long as it is true and you are confident it is true, you publish?

Mr Peston: Multiple sources, absolutely.

Q624 Mr Brady: Lionel Barber, you took I think a slightly different tack in response to the Chairman's question in referring to the publications about Northern Rock, you made a point about the fact the business model was bad as being a part of the justification for it.

Mr Barber: It was not a justification for publishing the story, Mr Brady, it was an explanation. Our job is to explain and I pointed, as my journalist colleagues have done, to the fact they were shown to have pursued a flawed business model which was excessively reliant on wholesale markets, and when those froze over in the summer of 2007 they were in deep trouble. That was reflected, Mr Brady, in the share price which was an indicator something was up.

Q625 Mr Brady: But from your point of view, as an editor of the newspaper, it would have made no difference had the business model been sustainable if it were not for publishing a story that was true?

Mr Barber: I am not sure I understand your question.

Q626 Mr Brady: My point is, if you thought the business model was potentially sustainable into the long term but there was a piece of news which came to you which could destabilise a company, you would still think it right to publish?

Mr Barber: There are other factors in judging whether to publish a story rather than the judgment made by the Financial Times or the BBC about whether the business model is sustainable, and those would be the movement of the share price and what financial advisers are saying and what analysts are saying.

Q627 Mr Brady: Have any of you during the present crisis been under any pressure, either from regulatory authorities or financial institutions or from the Government or any other quarter, not to publish or delay publication?

Mr Brummer: There was one occasion involving Northern Rock, much after the events of the summer of 2007, towards the end of that year and early into 2008, when we as a paper came across a document which could have been highly damaging at that point to Northern Rock at the point that the sales process - which eventually ended up in nationalisation but we did not know it was going to end up in that way - could have been badly damaged. At that point in time, we were asked by people at the highest level if we would restrain ourselves from publication because it was felt we might cause a second run on the institution. At that point in time, everybody knew what the insurance situation was, that their deposits were safe and those who had wanted to get their deposits out had done so, but we still did not want to cause a problem which might prevent it from being rescued if there was a rescue in the process, so we did hold off on that story. We were asked at the highest level to do so, so we did show some self-restraint. That really fits in with what my colleagues have been saying, which is we do not run things out of spite or because we do not like an institution, we carefully check what we are doing, we double-check with sources. When we check with those sources and they come back with an overwhelming case, as they did on this occasion, about a potential problem if we run the story, we think very carefully about it before we do so.

Mr Barber: Just for the record, I took a different view on that matter and we did publish the document, or parts of that document, and Blackstone, the financial advisers to Northern Rock, took us to court and sought a High Court injunction ---

Mr Brummer: I think we might be talking about two different documents. We did publish the first document after you had given us the privilege of publishing it first. I am referring to a second document which related to an emergency process at Northern Rock to close the bank down which we did not run.

Q628 Mr Breed: Mr Peston, rightly or wrongly, were you responsible for the run on Northern Rock?

Mr Peston: I have obviously given a lot of thought to this and the answer is, no. Alex and I agree on most things; we do not agree on the tone of my broadcast that evening. I have obviously reviewed it a few times, and I do not think it was excitable, but the more material point is this. There are two points really. There were structural reasons why Northern Rock was more prone to a retail run than most banks. As you know, it had kept its number of branches to an absolute minimum; it was obsessed with controlling costs. It had 50 branches and it had something like 1.3 million savers. You are probably aware that YouGov did an opinion poll, a survey, of what people who banked with Northern Rock thought in the hours after we broadcast. Most of them thought: this is an interesting story, this is a big story, it plainly is a matter of concern, we want to find out more, and they went to the website and, because there was not sufficient server capacity, the website kept crashing, which caused them a degree of alarm, and then, not all of the 1.3 million, but many, many thousands went to the branches to, again, find out more about what was going on. When they got there they discovered they could not find out because there were these queues of like-minded people, and I think, certainly from the YouGov research, what actually happened was savers became very anxious, simply because they could not find out from the institution what was going on. I think also Northern Rock made a bit of an error itself in the way that it disseminated the information. They put out an announcement to the Stock Exchange which was in language which most ordinary people found impenetrable, and the piece about the Bank of England was on page two and in very technical language. It is not surprising to me, in those circumstances, that people got anxious, and when they turned up at the branch and saw these queues they thought actually the sensible thing to do in these circumstances was to play safe and ask for their money back. I think the Governor of the Bank of England said to you that he also thought that was a rational reaction. I think the other important point, which has been alluded to by my colleagues, is that what led to the collapse of Northern Rock was not the retail run, it was the wholesale run: it was the institutions refusing to fund this bank. Northern Rock, frankly, would have collapsed, it would be where it is today, irrespective of whether there had been that retail run. It was plainly a big story at the time that the money was being withdrawn by retail investors, but that was not what did for Northern Rock.

Q629 Mr Breed: Did you think that the filming of the queues outside the branches, for very legitimate reasons, added to the sense of panic?

Mr Peston: I think this is a very delicate issue, is it not? It was very difficult for broadcasters, and we are not the only broadcaster, not to show those queues. I think it is also unarguably the case that pictures of the queues did reinforce the concern - of course they did.

Q630 Mr Breed: With the benefit of hindsight, looking back at your actual report and the filming and what subsequently happened, would you have done anything different?

Mr Peston: I think it is very difficult. In my broadcast, for example, I not only referred to deposit protection, I also said the fact that the Bank of England was lending this money to Northern Rock meant that the immediate danger of a collapse due to a shortage of liquidity, a shortage of funding, was gone. I said that I did not think this bank would now collapse, as it were, but it did not stop people getting very anxious, because, of course, we had not seen a bank rescued in this way by the Bank of England, not within people's living memory, as it were, so of course it caused anxiety. I think what was striking was the behaviour of Bradford and Bingley, which I think Richard Pym talked to you about when he came to see you more or less a year later, as it were, when they were faced with a similar report in the newspapers about problems, and what they then did was they flooded their branches with staff, they made sure they had appropriate server capacity, they made sure that information was available and, even though a lot of people over a particularly important weekend tried to get their money out, there were no queues because they had learned, in a sense, from the structural failings of Northern Rock. Of course, there are always lessons for the media, and we have thought about them long and hard, but there are also lessons for banks about how to deal with these sorts of crises.

Q631 Chairman: Therefore would a delay have allowed Northern Rock to get its business in order more so that it would had the additional Internet capacity, it would have had extra staff in the branches?

Mr Peston: I did not know that they did not have enough server capacity. How could I have known until it was tested, as it were, and, I will be honest with you, it maybe was a failing on my part but, of course, it was only after the event that I realised the weakness for Northern Rock of having so few branches relative to the number of their customers. So it is a sort of hypothetical question which is impossible to answer.

Mr Randall: On that point, Mr McFall, the idea that somehow a delay would have given Northern Rock breathing space, the problem for Northern Rock was its management was in denial. I remember very well the day after Robert's report all hell had broken lose. Up on the website was a message, which was intended to be comforting, which said, "Do not worry", the phrase was something like, "this is a well run bank." Well, clearly, by then it was an insult to the public's intelligence. So I do not think giving Northern Rock 24 hours or 48 hours would have saved it.

Q632 Chairman: I saw that very same message, because about 20 or 30 people rang me at my home and I went onto the website as well.

Mr Barber: Two very quick comments. First of all, the queues actually came after the Government's official response, not after the broadcast from the BBC. The second point is that naturally people were concerned because the Government was not able to immediately answer the extent of support guarantees for people's deposits.

Q633 John Mann: Was the panic worse because it was the BBC that broke the story, Mr Peston?

Mr Peston: I genuinely do not know. I think it is very unlikely.

Q634 John Mann: You talk about thinking long and hard in the aftermath, but considering the BBC's special status as a public service broadcaster, what conclusions have the BBC drawn about the appropriateness of your rules for business reporting?

Mr Peston: I do think that the rules that we followed before and subsequently are pretty demanding actually. We did learn, obviously, the power of images on the public mood, and there was an example actually, there was an occasion actually. You were asking about pulling stories. There was an occasion with, in fact, Bradford and Bingley where a couple of our regional offices said that they had pictures of people queuing to get their money out of Bradford and Bingley, and we did not run them because we checked with the institution and we then checked back whether this was genuinely evidence of a run or just not enough people turning up on the day. It turned out that this was not a run but simple inefficiency on Bradford and Bingley's part. For whatever reason, they had not had enough people in the branches, and so of course we did not run those pictures, but also there were enough checks and balances in place to make sure that the checks were made before the pictures went out. Let us be clear, we just do not run anything in a sort of thoughtless, "Let us get it out because it looks like a good story" kind of way. It is just not our approach.

Mr Jenkins: I once thought it would be a good idea if newspapers published every year the stories they had not published, just to show how responsible they had been, to persuade you that sometimes we do not publish things because we have been responsible. That would be inherently ludicrous. If I may say so, I think Northern Rock is a bad example of the thesis you are trying to establish. This was a dud bank and I think to tell newspapers not to say it is a dud bank any stage would have been ridiculous. I personally think much more serious was the predicament that many financial journalists found themselves in over RBS, Barclays, Lloyd's, Bradford and Bingley, where it was fairly clear the Government, knowing it was about to acquire large chunks of these banks, were, I sense, using the press to force down the share price. There you have ministers and officials de facto insider trading, using journalists to that end. It relates to what Mr Fallon was asking earlier, but he did not go that far. I would like to know from internal government sources how far they investigated subsequently who was leaking and for what purpose, because it was clearly designed to rig the market, in my view.

Q635 Nick Ainger: Let us talk about the story that was not told, and that is the run up to this crisis. Will Hutton has said of journalists, "We lost our senses, all of us journalists and politicians. We suspended our judgment and we are paying a big, big price. The reporters were guilty of accepting what the business community told them in a way that would not happen when reporting on other issues." Alan Rusbrider, in his submission to us, also highlights this issue, and he said that the media failed to spot the cracks in the financial system because too many business journalists were fixated on the stock rather than the debt market. Simon, from your perspective, would you agree with your colleagues Will and Alan?

Mr Jenkins: I am a bit suspicious, when all the policemen and all the monitors have failed, that they turn round and blame the press for not helping them out. It just does not wash, I do not think. There are plenty of journalists who were saying something was going wrong here and they have been quite willing to come forward and say so, needless to say. I think that the more general point which Alan is making on that note is true, and I say this as an outsider from this world. I think there is extraordinary closeness between British business journalism in the City in the same way that there is extraordinary closeness between British political journalism in Westminster, and these are essentially unhealthy relationships which tend to lead to the sort of mishaps that you have described. I certainly felt in the unfolding of the credit crunch that the relationship between the press, wider commentaries, think-tanks in the City - the obsession with banking and bankers and bonuses and big money - has led them and us to neglect the underlying strength or weaknesses of the economy and has led government into rescuing banks, splurging ludicrous sums of money on banks and yet fighting shy of nationalising them at the same time. I totally agree with the Chairman's article on bank nationalisation. If you are going to nationalise a bank, nationalise the bloody thing, do not just throw money at it and say you are not quite nationalising.

Q636 Nick Ainger: Let us go back again to the period before Northern Rock. Robert has said that he felt in 2003, and he wrote an article to that effect, that this was a bank with a flawed business plan, but he seemed to be on his own then. Were not other journalists thinking the same thing or was it the climate at the time, where we had apparently steady economic growth. There was lots of credit available for anybody who wanted it, there were high levels of employment and for any journalist to say, "Look out, we are headed for the cliff", their editors would not have published, would they?

Mr Barber: Who can say nonsense first!

Mr Randall: At the risk of blowing my own trumpet, if you care to look at the BBC website, in December 2003 I wrote about excessive debt; in 2004 I was beginning to bore my colleagues: people thought that I was a doomster, I was dismissed as someone who had a grudge against the Government, someone who was talking Britain down; in May 2006 I wrote a piece for the Daily Telegraph which said, "Ten reasons why it is all going to go horribly wrong", and I included in that issues such as US debt, public finances out of control, house prices detached from reality, et cetera. Once again, I can remember the critics of the Daily Telegraph saying this was just a journalist with a grudge against the Government. It is not true. It is not just me - I recommend you read Fantasy Island, written by Larry Elliot from The Guardian, who superbly disaggregated Britain's problems, and he foretold things in a book that was published at the beginning of 2007 - plenty of journalists said, no, we have got to stop this. Martin Wolf from the FT likewise.

Mr Barber: I hate to toot our own horn here, I was not intending to offer you a cut-rate subscription to the FT, but if you had had the subscription you would have seen, at least three years ago Gillian Tett, the capital markets editor, specifically warning about the risks in credit derivatives. These are the sophisticated financial instruments which are in part to blame for the problem. Second, Martin Wolf alluded to part of the problem. The Chinese do not accept this but it lies in global imbalances, with Americans not saving enough and China saving too much, but the crucial point here is that editors are prepared to put warning signs on company coverage on the front page if they think that things are going wrong - they certainly open up their op-ed page - but if we were to put stories which were warning about worries or doubts about individual companies' business models, first of all, we would definitely have lawyers on our backs for irresponsible journalism, pure speculation and, second, we have a job to report what the governments are saying, what the banks are saying about the state of health of the economy. If you remember, in 2005/2006 everybody thought the City of London was top of the world and I seem to remember certain politicians talking about abolishing boom and bust. We put that on the front page too.

Mr Brummer: I think that what my colleagues say is true, that there has been a lot of early reporting out there. In 2002, again, doing the same thing, blowing trumpets, I remember writing about Northern Rock and securitisation in a very sceptical way. For the privilege of doing that I almost got my head beaten up by Adam Applegarth, but we got through that moment quite well. The truth is that The Daily Mail throughout this period was ridiculed in Private Eye on a regular basis for predicting that house prices would crash. It became a running joke. So there were warnings out there all the time. I think if there was a failing, the failing was that people like myself, city editors, did not really push these stories hard enough into the rest of the paper. Some of us could see what was happening. We were writing about warnings issued by Bank for International Settlements in Basle, who were very good on this subject, some of the Bank of England's financial stability reports were quite predictive in this area, and there are whole areas outside the cash markets, which we all follow, the share markets themselves and the derivatives markets, which were ballooning, which we did not really get to grips with very well in a way which was understandable to our reader. The other thing to remember is that business journalists are in a very unfair competition. We are individuals working against some of the richest organisations in the world with some of the most powerful communications experts working for them. Young financial journalists in that situation, some of them recovering a situation, found that very difficult.

Mr Jenkins: By an extraordinary coincidence, you have got all five journalists who predicted the credit crunch here.

Q637 Nick Ainger: Are you the only five? That is the point.

Mr Jenkins: If you wanted the serious root of the problem, it was the housing market. That is what I read about. This was going to bust and there was no purchase in writing that story other than doing it over and over again in a political community. You were hyping up the housing market like there was no tomorrow.

Chairman: We have to move on, Mark.

Q638 Mr Todd: Mr Barber, you have produced for us a perhaps rather high-minded defence of the role of the media in oiling the financial markets and improving information flow. Perhaps you could set that into a real world environment of competition within the media, the inevitable potential coarsening of communication that that will bring, particularly with the lowering of barrier to entry in the light of comments. It is now readily available on the web - Robert's own blogs which are produced presumably at the minute. It sounded to me like the kind of document that might have been written 20 years ago in the FT that I knew well then but perhaps was harder to place in the real world of a competitive environment in which everyone has their say and you are competing for a tiny bit of space in the public mind.

Mr Barber: Mr Todd, I will try not to sound too high-minded. I would agree with you when you point out that the market for business and financial information has been transformed by the Internet and the lowered barriers to entry. Paradoxically, business journalism has gone mainstream. Many of the newspapers have actually expanded their business coverage and financial coverage, and if there was ever a story which was technical and which has gone mainstream, it is the credit crunch - enormous amounts of space have been devoted to it - but your real point - is it true that the quality of journalism in this country or elsewhere has been compromised by lowered barriers to entry - the rise of blogs, the fact that we now live in a 24-hour news cycle, I would argue that, yes, it has increased competition, but from my own personal experience of the Financial Times, we have entered that area. We have a financial blog, Alphaville - that was the one that broke the story about the Northern Rock prospectus - but we apply the same standards in terms of quality as any print advertiser.

Q639 Mr Todd: What this becomes, therefore, is the test of the strength of a brand, since the multiplicity of sources that are available to people is challenging.

Mr Barber: Exactly, Mr Todd. The fact is if you publish wrong information and you are in the financial journalism business, you will be out of business because the brand is absolutely critical.

Q640 Mr Todd: The other bit of reality intruding on your high-minded model is the resourcing of the communicators whom you were dealing with. That was the point that Mr Jenkins made. These are people who have highly paid advisers supporting them in their communication, and understanding their motivations as to why they might be wishing to tell you certain things and not other things is part of the challenge which, again, I think is sharper now than it was a few years back?

Mr Barber: It is certainly tougher in the current recession, and the structural challenge which I referred to in terms of the Internet and the lower barriers to entry plus the decline in print advertising certainly is challenging the newspapers today.

Q641 Mr Todd: So to the outside person, how do they make their judgment in understanding the profusion of information that is presented to them, other than, as I was suggesting, looking at brand names they trust and trying to work out that that is something worth listening to and that is not?

Mr Barber: It is all down to the brand.

Q642 John Thurso: Simon Jenkins, can I come back to something you said earlier firstly. I have had a lot of emails from small shareholders in Bradford and Bingley who are complaining at the role of the media in reporting it and the diminution in value and likely compensation that they are going to get. We had Richard Pym in to give evidence to us and one of things he said was, "We saw Robert Peston's blog at 4.50 and at that point we realised things were not looking good." Basically that was quite a factor. You said that you think the Government were manipulating the share prices of the banks that were their targets. Are you really telling us that the Government or the Treasury had that level of confidence?

Mr Jenkins: Firstly I was borrowing a phrase from Mr Fallon "it is said that" or "it has been heard that". Secondly, I do think they have that level of confidence, yes. Insider trading is as old as the hills. You do not normally expect it of government when dealing with ordinary people's money, shareholders and banks. I am only repeating what is said. I think it is a line of inquiry you might care to follow up with government, but quite clearly there was a massive interest to the taxpayer in suppressing the price of these shares and the price of the shares duly fell. It fell following information in newspapers, and on broadcasts and blogs, that the Government was going to be intervening or the share price was going to collapse. You do not have to put two and two together and make too much to realise what could have been happening and what does normally happen anyway when people are manipulating bear markets. It would be almost odd for the Government not to have done it, but I think it would be unethical. How far the journalists involved with that were knowingly being used in that way I just do not know.

Q643 John Thurso: I am happy to believe they made a mammoth cock up, because I think that pretty well explains the universe, but do any of the others here really think that this was a semi-deliberate act by the Government?

Mr Peston: Since it was, in the case of Royal Bank of Scotland and HBOS, my blog and my Radio Four broadcast that led to the dramatic falls in share prices, and I know the history of how I got that story, I absolutely do not believe, for what it is worth, that there was any conspiracy here and that I was, in a sense, an instrument of manipulation, but, again, it is also important to think about the economic substance. It was a fact that these banks needed capital and, therefore, the share price was wrong. When I put in the public domain that the banks needed capital, of course the share price fell. The notion that this was a false market is crazy. In fact, what then happened was the correct price was established because the information was then in the market place. Whether that had come from me or whether it had been divulged at a later stage, the share price would have fallen and the subscription price would have been what the subscription price turned out to be irrespective of where I got my information from and who I talked to. I also just think it is to misunderstand the nature of the market process to somehow believe that the Government got a better deal as a result of the fact that, as it happens, I put the information into the public domain.

Mr Brummer: I would say that almost the opposite is probably the case, because every time the share price fell it meant that the Government was going to have to put in more capital in some way or other, provide more support, so it had no interest in getting those shares prices down. The moment that Lehman's failed it was absolutely clear, and it was clear not to us on this table but to experts, the short-sellers, the people who study the balance sheets of these banks, that these banks were in deep, deep trouble, that they had far too much toxic debt on their balance sheets and the markets had frozen over and they were going to need assistance. It was not the Government creating that atmosphere, it was a reality check to what had been going on over the previous months, and that is what caused those share prices to fall.

Q644 John Thurso: Let me ask you a completely different question, if I may. We have been talking very much about the past. Can I turn you towards the future? There was an interesting article in one of papers that said the reversal of the old saying that good news is no news, that actually there is so much bad news now that good news is news worthy. What should be the role of the media for the future? Is there an onus now on the media to help restore confidence by restoring the balance of good news and not to peddle doom and gloom, as it were?

Mr Barber: I do not think if we put happy talk on the front page it is either going to be good commercially or editorially. This just does not make any sense. We have to tell it the way we see it using multiple sources, and there is no way of hiding the fact that this country is going to have a very tough year at least. The economy is in recession, we have just come off, as Simon has mentioned, a huge credit boom where everybody thought they could get wealthy quickly on the back of rising house prices. We have a correction and it is going to be paid for, and The Financial Times is not going to say everything is fine when it obviously is not, but we will try and have the odd humorous story to perhaps temper what will be a very gloomy year.

Mr Randall: I agree whole-heartedly. It is not the job of broadcasters or newspapers, certainly not their news sections, to jolly along the public. Our job is to tell them what is going on. You could argue the reverse, but it would be a dereliction of duty if we sprayed them in solar, in happy juice, and say, "You carry on as it was, old son." In fact you can argue for too long that was the prevailing sentiment in this country: people were allowed to go along in this stupor believing that ever more debt would be okay, borrowing up to the gills would be all right; nobody rang the bells, or two few of us rang the bells. So I think we would be doing our readers and ergo the public a disservice if we did not get right to the heart of the matter, and, let us face it, Britain's economic and financial woes are very severe.

John Thurso: I absolutely agree with that, and completely agree that what we need is for that to be properly reported. Is there not a danger, however, that you swing the pendulum too far and that as we start to get to better things that does not get reported which lengthens the time we are in recession?

Q645 Chairman: Robert, you can answer that before moving on. Why on the BBC News behind the news reader is the graph always going down?

Mr Peston: As I understand it, that has now changed, but it did go down for a bit because it went down for a bit. I think the absolute imperative for us and all the media is to give people the information that they need to make judgments about their lives, their investments, their savings, their jobs and all the rest of it, as it were, and some of the news will not be particularly cheery. At the moment what I am spending a huge amount of time thinking about is what are, to use the controversial phrase, green shoots? What are the things which would tell us that we are over the worst? What are the indicators? Also, what kind of an economy are we going to be in as and when we are through this particular acute crisis, because I think there is a hunger to know what 2010, 2011 and onwards will be like. I and rest of my colleagues at the BBC are devoting a huge amount of time to all of that and certainly we are minded that we do not want to tell a monotonous, gloomy story. What we want to do is give people the information that is useful to them. Lionel is right: we cannot pretend everything is tickety-boo when it is not, but similarly we do not want to have one rather gloomy theme - of course not.

Q646 Sir Peter Viggers: Lionel Barber, you have described the trouble you have taken to check sources and accuracy, but Richard Lambert, the Director of the CBI, at a speech in December, was quite critical of some journalism. He said that unsubstantiated rumours were passed on, editors should do more to kick the tyres on unsourced quotes, should be doubly certain about the accuracy and quality of the work they are reporting. Who do you think he had in mind? Are you concerned about unsubstantiated rumours or unattributable stories being passed on by other people?

Mr Barber: As a former editor of The Financial Times---. I hope Richard Lambert is not resigning from the Financial Times!

Q647 Mr Todd: I am sure it will happen.

Mr Barber: He made, I think, two very salient points. The first is the use of anonymous quotes, negative quotes, from analysts or bankers regarding companies. These can be very damaging and, therefore, we at the FT at least are very careful in how we use those quotes because we know they can affect share prices. They are a matter of opinion. We are not saying we would not use them, but we need to know who they are and why they are making those comments. The second point is (and I think this pertains particularly to the crisis) we were very careful no avoid using the word "panic". We only used it twice. Once was in late September when essentially Wall Street was melting down and you could see the share prices had crashed through the floor, and so we thought that was justified in a headline, but we do not use words like that that are emotive, that can clearly have a very destabilising effect on markets, especially if they are written in a paper like The Financial Times.

Q648 Sir Peter Viggers: How much pressure do you put on sources to give their names?

Mr Randall: I do not put any pressure on sources to give their names. It is up to them, but what I do is weigh up their credibility and their integrity. I was once taught at journalism school that there is no disclosure without motivation. So when people disclose something to me I try to work out what that motivation could be, and if they are happy go on the record, then so be it, and if they are not I weigh up why they are not happy to go on the record.

Q649 Sir Peter Viggers: Simon Jenkins, as a former editor, should editors be doing more to stamp out the publication of stories with unattributed sources?

Mr Jenkins: It is a hot debate. The New York Times had and may still have a rule that negative unattributed quotes are never used, at least in quotation marks - that may be a subtle distinction - for the very good reason that journalists can simply make them up, and it is a convention in this place that journalists do use derogatory unattributable quotations because it is assumed that men of honour at Westminster would never dream of making it up. You can pull the other one, is what I say. We did sort of try at The Times to abolish that particular journalistic style. I just think it is hugely risky. You jeopardise your relationship with the reader. The reader does not necessarily believe it when you have got "A leading Whitehall or City source said yesterday..." Who was it, you want to know? Why is he not prepared to give his name? There must be a reason. In that case put the reason in print. But if you are using this, I think, highly damaging journalistic technique of an anonymous quote from someone which is damaging someone else, I think you have a real obligation to your reader to be extremely explicit as to why you are not giving the source.

Q650 Sir Peter Viggers: Mr Brummer, do you think the rules should be changed about attribution?

Mr Brummer: I do not think they can be changed, because I think if you are operating in the area we work in, in financial journalism in particular, economic journalism, I just do not think there are people out there, particularly senior people. It is quite interesting, because everyone assumes that you are talking to junior officials, but you could be talking to the chief executive of some of the banks. When you say to them at the end of the conversation, "Would you be willing to put that onto the record?", they always say, no, they are unwilling to put their necks out there. It is part of the philosophy under which they work. So it is very difficult. Going back to the original Richard Lambert article, I make two points about it, and think I made these in print, so it is not a great secret. The first point I would make is that he talked about his cleaning lady, I think it was, who came into the office in tears because she had read of the problems at the Bradford and Bingley. She would have been in even more tears had she not known about those problems in the Bradford and Bingley and had not had the good sense to move her deposit or get her investment out at that point. Secondly, Richard is a great journalist, he was a great editor of the FT, but I thought it ill-behoved him early on in this crisis as the Director General of the CBI to talk about Britain as a banana republic. That kind of made what he said subsequently slightly less relevant to this crisis, I think.

Q651 Sir Peter Viggers: There is quite a well structured financial journalist profession handing out press releases and information to journalists. Do some journalists take that undigested and print it? Is that a criticism that should be levied?

Mr Brummer: Going back to what I was saying slightly earlier, I think that most of the financial journalists operating on desks at national newspapers today were not around during the last financial crisis of any kind of any seriousness. I, fortunately, or unfortunately because I am getting quite old now, was around during the nineteen seventies when we had a huge financial crisis, a UK financial crisis, which saw dozens of banks go under, a huge banking rescue and so on, so I have seen it all before, but I think a lot of the people who are working in financial offices at the moment have only seen boom times, and they took the press releases that they saw, they took the briefings they got, they went to the press conference and listened to the bullish talk. Right up to the very end some of the bankers were talking in the most bullish terms about recovery, about the famous ABN AMRO takeover of Royal Bank, which destroyed Royal Bank of Scotland. Even at the press conference in 2008 they were still boasting about how much income they would get out of that takeover. People just took it down and wrote it because the bankers were believed, and I think a lot more scepticism is required.

Mr Barber: One of the very important aspects of this crisis involves the opaqueness of the banking system. We know about the shadow banking system off balance sheet vehicles. This was a very, very difficult aspect of the financial system for journalists to report on. There was very little information available. It was not even available in annual reports, financial institutions and when we first became aware of this problem and the risks associated, we tried to talk to people. None of them would talk. Eventually Gillian Tett, who was one of the early warners of what was going on, had to publish information based on emails on the condition that those people were warning about the risks in structured investment vehicles, in credit derivatives that they would not be named or even have their firms or associations mentioned.

Q652 Chairman: Jeff, maybe you could answer this. I asked the head of PWC when he came before us, the chief auditor, if he took HSBC's annual report and sat with it one night, at the end of the night would he understand it, and he said no. Where would we be if we had got a situation like that? What do we do? What is the recommendation for going forward if the best brains cannot understand?

Mr Randall: Chairman, I think it is pretty clear that the sources of this credit crunch are twofold: too much debt and not enough information, and, frankly, Lionel is correct, the banks did not put out there the information that everybody needed, not just the financial press but their own investors, their own employees. They did not know what was going on and, I suspect, right up to the very top, people did not understand what was going on. I believe you will be talking to the former chief executives of Royal Bank of Scotland next week. It should be show time. I will be tuning in and I hope you ask him that question. Did he understand what was going on with all this fancy whizzy stuff.

Chairman: Okay, thanks, Jeff. George?

Q653 Mr Mudie: Just following on the same point with Lionel, I am not angry at Robert. I think he did his job and I really am sad to hear that the Financial Times and the Daily Mail had these rumours for months, you said, Lionel. You have accurately - and Alex Brummer in his book described the parts that led to the crisis that hit Northern Rock. You had all that story and you could not bring it home. Do you not kick yourself that Robert got the scoop and you could not put the pieces together and get a story that would have saved a lot of people a lot of heartbreak?

Mr Barber: Mr Mudie, we do not -----

Q654 Mr Mudie: If you are going to be rude it is Mr Ainger.

Mr Barber: I will try and remember that.

Q655 Nick Ainger: So will I.

Mr Barber: The point is we were being responsible. We were not just reporting rumours. Gillian Tett, in her column, written the day after Northern Rock received some, in retrospect, worthless City banking award for being the best bank of the year, actually wrote a column raising serious questions about the business model of Northern Rock, but that is not the same as saying, "Northern Rock is in trouble. The shares will go down. It may go bankrupt". I can assure you the writ would have been on my desk the next day. We could not do that.

Q656 Mr Mudie: Lionel, every person from the Governor of the Bank of England, the Chairman of the FSA, everybody has come before us and pointed out some article they wrote in 2006 or 2004 et cetera, and said, "I told you, I warned you". In Alex's book he actually brings it up to date and says the question to the Governor of the Bank of England is, "Why didn't you do something about it instead of just making speeches?". The same to the press: you are key and you have more information than we have. Why could you not bring forward the story?

Mr Barber: I want to just go on record as congratulating Robert Peston for his scoop. The fact is we did raise questions but we were not in the business of trying to drive Northern Rock out of business.

Q657 Mr Mudie: Just let me ask this question. When Northern Rock broke it was like pulling teeth with the Governor, it was like pulling teeth with the FSA, and one particular part was that we could not understand why he had not pursued a deal with Lloyds TSB. Alex spells it out now in his book. The way we were dismissed by the press I thought we were wide of the mark, but now Alex spells it out in his very good book The Crunch that everybody should buy. Months later, when we have taken all this abuse and senior figures have said things that were not exactly helpful, have withheld information, it is now history and none of you seems to have been able to put it together.

Mr Randall: The trigger, Mr Mudie, was in the summer when the wholesale markets froze over, literally.

Q658 Mr Mudie: I know that. Even our milkman knows that now.

Mr Barber: Yes, but that is the point. People were asking why we did not do anything in January.

Mr Randall: Mr Mudie, with all due respect, I do not think you realise how hard it is sometimes to nail down the truth, given that we have a huge industry out there which is generating huge numbers of fees to distort the truth. Can I just tell you something? This is how tough it is. On 8 October last year the Daily Telegraph ran a front-page story saying that as part of the Royal Bank of Scotland rescue its Chief Executive, Fred Goodwin, would go, the Chairman, Tom McCulloch, would go, they had been replaced by Stephen Hester and Philip Hunt. The day that that came out RBS issued an on-the-record denial, called the proprietors of the Daily Telegraph demanding an apology and Alistair Darling, in front of the cameras, also denied it. Five days later it was true, so when you say why do we not nail down the truth, sometimes we have to rely on people in positions of seniority to tell us the truth.

Q659 Mr Mudie: I accept that. Being in Parliament 16 years you understand how hard it is to get to the truth on anything, but The Sunday Times get a rumour about the Lords and bad behaviour, The Sunday Times take action and The Sunday Times ran a very important story that brought it all to a head and we can do something about it. This story is key, this story is front-page, a knighthood in it for breaking it and you do not bring it home. You have all the parts. Were you afraid of legal action?

Mr Barber: No, we are certainly not afraid of legal action. In fact, I have got a record of all the libel suits that have been threatened by well-heeled Russian oligarchs with City law firms being paid huge amounts of money trying to intimidate the Financial Times and other publications from publishing the kind of information that you are talking about. The fact is we did raise serious questions about Northern Rock and everything changed in the summer when the wholesale markets froze over.

Q660 Chairman: Simon's point about the cosy relationship I think has reinforced what you said.

Mr Jenkins: Yes. I think it is slightly fruitless trying to search for whose fault it is that we did not know. Everybody has been taken completely by storm, if not by surprise, by this. I do not think anybody comes out with clean fingers. We could just ask of you the same question you are asking of us, "What have you been doing all this time?". The answer is, we really did not know the full force of what was about to be unleashed on us, and that is the truth of the matter. It is sensible to ask, what do we do to avoid it happening again? It is sensible for the press to ask, was this like a war in retrospect? Should we have been more restrained than we were? I think on the whole we could not have been because we just did not know at the time what it was going to be like. I still think in retrospect I would not have done it any differently or had it done differently.

Q661 Chairman: Since you have all been virtuous, the Committee produced a report on Northern Rock and that led the way in taking forward and you all agreed on that.

Mr Jenkins: We are all clean.

Chairman: We are in the same camp as you, okay?

Q662 Jim Cousins: The bosses of the big banks, when they used to come in front of us, occasionally used to use a phrase, "widows and orphans", to describe the savers whose savings they were using to promote their businesses and their lifestyles. I am referring, of course, to the time before they all went into internal exile on golf courses and grouse moors and racing circuits. Mr Brummer, I wonder if I could ask you, because you, I think, were the first of the panel to make reference to this, do you think the so-called "widows and orphans", as a result of the financial events of the last 18 months or so and how the media have betrayed them, anticipating the behaviour and the reaction of the people once described dismissively as "widows and orphans", are now a very significant market force in their own right?

Mr Brummer: I think this is a very fundamental question. I obviously work for a mid-market populace paper with a large number of widows and orphans (I do not know about orphans but a lot of widows anyway) among other people.

Q663 Jim Cousins: Allegedly.

Mr Brummer: Allegedly. But what we always think about when we are writing on our financial pages and across the paper is not the big battalion City investors who Lionel's paper obviously has to think about much more carefully. We are always thinking about private investors, depositors, ordinary people and their money. I think that their interests have been very ill-served throughout all of this period. What we have tried to do as much as we can through this period is alert those people, the vulnerable people in our society, to what their rights are, how they can recover their money if their money has been lost, and we all made a terrible mistake, all of the papers. We ran a "Best Buys" column. The Financial Times ran it, we ran it, the Daily Telegraph ran it, which had Icelandic banks at the top of the "Best Buys". We said that they offered the best interest rates. We all ran that table, produced by an independent organisation which produced "Best Buys", and we actually led some people into those "Best Buys". As soon as we realised the mistake we had made we removed all those influences, so we are trying to protect their interests as much as possible, but I do not think that the bosses of the big banks really cared a toot about widows and orphans. They never have done. As far as they were concerned what they cared about were their bonuses, their profits. The faster they drove those banks, the higher the gearing they put into those balance sheets, the more profits that they produced the higher their bonuses went and it went right down the line. I think that was the purpose of those banks and I think that is what we have now got to stop, and the widows and orphans did not come into this calculation for them at all.

Q664 Jim Cousins: Mr Barber, I wonder if I could ask you, because you, I think, and I am slightly misquoting you, used the term, "We do not use the word 'panic'", do you not think, and I am not inviting some discussion on how it occurred, after the run on Northern Rock in terms of how it was portrayed both here and, of course, abroad, one of the main objectives of policy-makers and regulators has been at all costs to avoid a repetition of anything like that in their own jurisdiction?

Mr Barber: If that is true, Mr Cousins, then I would ask you to place call to Hank Paulson and ask him why he decided to let Lehman Brothers go down, given that many believe that intensified the financial crisis.

Q665 Jim Cousins: Of course, Lehman Brothers was not a deposit-taking bank in the retail sense, and, of course, there were very powerful people in the United States who still wanted to cling on to their belief in moral hazard. That is true too, is it not?

Mr Barber: Yes, but, Mr Cousins, the fact is that Lehman Brothers was such an important player in the wholesale market, it was hugely more important than little Northern Rock, and its demise is widely regarded by experts and policy-makers as being a critical moment in this financial crisis which actually intensified the problem.

Q666 Jim Cousins: It is absolutely correct that the fall of Lehman Brothers -----

Mr Barber: I should point out, if I may, Mr Cousins, that, interestingly, after the attempt to find a private sector solution to Northern Rock there was a period of eerie calm for many months, and it was only in late summer, in September, particularly with the problems in the US housing market - Fannie Mae and Freddie Mac - and the demise of Lehman Brothers, that the crisis went into a much more serious phase.

Q667 Jim Cousins: After the fall of Lehman Brothers we then had the second-wave effects on our own banking system, and indeed, arguably, third-wave effects still lie ahead of us. I wonder if I could ask you, Mr Peston, because your stories led the news media on not all but most of these key events - Northern Rock, the fallout from Lehman Brothers, the knock-on effect of RBS, HBOS, you mentioned them all yourself; indeed, your blog is called Peston's Picks, if I can slightly remind you of the point that Mr Brummer made earlier, are you entirely comfortable with the fact that you are now a market force in your own right?

Mr Peston: I am a journalist by vocation. Occasionally I think I am going to grow up and do a proper job and then I cannot think of anything I would enjoy as much and therefore for 25 years all I have really done is think about how to get stories that are going to be of interest and relevance to the readers or, these days, the viewers and listeners of the organisation for which I work. Although, over a period of many years, since long before I joined the BBC, have I noticed that some of my stories have had an impact on, for example, share prices, these things are in a sense peripheral. I am not saying they are unimportant; of course they are important, but you cannot make a decision about whether or not to do a story based on whether a share price is going to move up and down, for example, so as far as possible I simply screen out issues like what kind of influence I am going to have and concentrate exclusively on working out whether a story is a genuine story, getting the verification, getting multiple sourcing and all the rest of it.

Q668 Jim Cousins: Yes, but my question really was not about your motives; I do not challenge them. My question really is about the position you are now in in terms of our own financial markets. There are consequences, whether or not you intend them, about the things you do and the things you say. You are a market force in your own right. People on your own blog tell you that. Are you comfortable with that?

Mr Peston: There are two things. One is that as an organisation we think about the social and economic consequences of everything we do, so it is part of our (ghastly phrase) "DNA", as it were, and so of course I am comfortable in the sense that I think through before I do anything what the possible implications are. The important point I would make though is this, and it sort of got lost in the conversation you were having earlier about unattributable sources. The great advantage of what we do as business journalists, as opposed to what I used to do as a political editor, is that we deal in facts. We do not very often deal in views. So long as I am absolutely confident that the facts are correct then I am happy to broadcast or publish and that is what it comes down to.

Q669 Mr Todd: High-minded twaddle!

Mr Peston: No, it is not high-minded twaddle.

Mr Jenkins: A theatre critic can destroy a play. A gossip columnist can destroy a politician. As Robert says, it has got to be based on some sort of fact, but no-one is pretending that journalists are not influential. They are highly influential, and so is Robert. This is ridiculous.

Mr Peston: I am not saying I did not have an influence but what I am saying is that I take comfort in whether or not what I am writing about is true and, frankly, something that people have a right to know about. That is what it comes down to. If I feel that people have a right to know that a bank they thought was sound is not as sound as they thought it was, of course I am going to broadcast.

Q670 Jim Cousins: Mr Randall, I wonder if I could ask you then, do you think Mr Peston is just a journalist like any other?

Mr Randall: I think he is a master of his art. I doff my cap to him. When you work for the BBC clearly you work for Britain's most influential media organisation. I say that as someone who used to work for the BBC. Whether you like the BBC or not, its Ten O'Clock News on a good night will go out to six or seven million people. No other organisation in this country has that reach, so, yes, the BBC has duties and obligations which bear down on it, but I would say this. Just because the rest of us work for privately owned organisations I do not think we take our duties and obligations any less seriously. We may have fewer viewers or listeners or readers but we take them just as seriously.

Q671 Jim Cousins: So, where Mr Peston is concerned, you are not telling us, "Thank you, Mr President, the BBC are waiting", to relate to your own adverts?

Mr Randall: Look: that was a smart piece of marketing by Sky and it had a little dig in the ribs of the BBC. Surely you will allow us that. The fact is that the BBC, of all organisations, is big enough and ugly enough to take that little dig in the ribs.

Q672 Mr Love: Taking into account the discussion we have just had and whether Mr Peston moves markets or whether, as Mr Jenkins says, journalists are influential, Mr Brummer, in response to the speech by Richard Lambert on 7 December you said, "It was not journalists who drove down the price of HBOS shares on the fateful day of 17 September when it was forced into a merger with Lloyds TSB but the short sellers". Are you entirely innocent in all of that, and when I say "you" I do not mean the Daily Mail. I mean the journalist profession in this country.

Mr Brummer: Are we entirely innocent? Of course, we are never innocent of anything. There is no doubt that in the period leading up to that date, if I have got the date right here; hopefully I did - 17 September, we would have been asking questions, as Robert would have been, as all the journalists on this table would have been, about Halifax Bank of Scotland. There was a known weakness in the way that bank was run, in its book, in its exposure to the mortgage market, and in particular its corporate loans, which we all knew about, so we will have reported on some of those problems, and indeed we will have reported about some of its toxic debts and laid that out in the paper because we were getting numbers on a regular basis, so we may have fuelled a knowledge which the short sellers latched onto. I actually think the short sellers were almost certainly ahead of us in many ways. Many of them took out their short positions months before we knew information about HBOS. If you go back to March of that year, 2008, I think some of the short positions were set up. I have spent time with hedge funds, for instance, on this issue. I went to one hedge fund, almost overlooking Buckingham Palace, actually, where they had an analyst who laid out to me over a luncheon the pecking order of banks which he thought were in trouble. He was a brilliant analyst who had been through their credit books. He actually understood what a synthetic CDO was, although I believe somebody from Credit Suisse came here and did not know what a synthetic CDO was.

Q673 Nick Ainger: Deutschebank.

Mr Brummer: I do apologise to Credit Suisse. I am sure they are much better.

Q674 Nick Ainger: It was just the Chairman.

Mr Brummer: Oh, it was only the Chairman. He had been through the books and he laid it out. This guy was absolutely right, the pecking order he had of who would go first and in what order. Northern Rock was already gone. It went Bradford and Bingley, Alliance & Leicester, HBOS, RBS. That was the order and he was bang on the money and their positions were out there on that piece of analysis. They were doing the analysis which the regulator should have been doing, the Financial Services Authority, and never did.

Q675 Mr Love: Just taking that, if I can characterise a phrase that Mr Jenkins used earlier on, it is said that the media may unwittingly or wittingly have been used by the short sellers in exactly the way you said to further their interests. Mr Jenkins, would you like to comment?

Mr Jenkins: Mr Love, I just think this whole conversation is about an organic whole which is called a market. At one end of the market is the Chancellor of the Exchequer. At the other end of the market is a crowd running down the street screaming, "Panic!", and we are all part of that, including the press. If you are asking me would I rather trust the Chancellor of the Exchequer or the mob running down the street shouting, "Panic!", I would rather trust the mob, because it is more likely to be telling the truth, and the closer you get to the mob, and we are quite close to the mob, I frankly believe we are more likely to be telling you the truth. If you wanted to sit here and ask the Chancellor of the Exchequer all these questions I do not think you would get a very clear answer. I hope you are getting slightly clearer answers from us.

Q676 Mr Love: We had the hedge funds in front of us not so long ago and we did not get clear answers from them because as far as they are concerned they are not into short selling in any major fashion at the present time. Mr Peston?

Mr Peston: I only want to draw on a point which I think has been slightly alluded to, which is that quite a lot of the information that gets disseminated which affects share prices gets disseminated outside of the established media. For example, when it came to rumours that were driving the share prices of a number of these banks, that was information that was going from the internal Bloomberg, the email system, for example, from hedge fund to trader, from trader to investment manager. There is a lot of information that gets circulated and drives share prices, that is, as I say, outside of the media we represent.

Q677 Mr Love: In a sense we have got the wrong end of the media before us today because you are at the top of your game, if I can put it that way. You may well influence markets, but there is another whole set of media that will influence individuals and perhaps even City institutions.

Mr Peston: I am really talking about the City institutions. Obviously, there has been a lot of focus on the private investor blogs but there is also an astonishing amount of information that gets transmitted from professionals in the City and these are people controlling hundreds of millions of pounds and so there is, in a sense, a sort of rather hidden dissemination of highly price-sensitive information that I know the FSA is trying to come to grips with, but the volume of this stuff is enormous and even for the FSA to find out who is being told what and when is immensely difficult.

Q678 Mr Love: Let me ask one final question. There is supposed to be a regulator for the media, the Press Complaints Authority. I will not ask you your opinion of it because I suspect that that will not take us very far, but is there a need in this area, especially, if I can say, when the atmosphere in the City, indeed in financial institutions generally is very different between 2007 and today, for some basic regulation to ensure that the panics, the crashes, the rushes that may well be out there do not happen because of slipshod comment or journalism?

Mr Barber: Absolutely not. We do not want statutory regulation.

Q679 Mr Love: I am not thinking about statutory regulation.

Mr Barber: I think you need to tread, if I may say so, Mr Love, rather carefully in this area. Regulating the press will not solve the problem. This is a matter of a catastrophe of management of risk. There were failures in regulation. You should not be looking at the press as in any way responsible. There are things that the media should do in terms of improving the understanding of financial markets and also understanding, for example, that five years ago the debt markets were a lot more important than the equity markets, and that transferring resources and having better training will help in the business that certainly the Financial Times is in, which is explaining what is happening.

Mr Jenkins: If you are asking a different question, which is not statutory regulation but, "Is there a case for an F-notice for finance?", I think it is a good question, but all that would mean in these circumstances is probably a telephone call from the Governor of the Bank of England to an editor saying, "Please lay off this for five hours because we are going to rescue this bank". I think it would be an odd editor who would not at least take that call. There are gradations. The difference between editing and censorship is a fine one. I would not regard that as censorship; that is information. We are not deliberately trying to be irresponsible. If the situation is explained, if the consequences of publicity are clear, then most journalists, I think, would respond to that, but that is not statutory regulation.

Q680 Mr Love: No. It was not statutory regulation that I was talking about. What I was suggesting was that the press complaints regulation simply is not regulation and we need it to be something agreed with the industry that could at least give some reassurance that things are being dealt with properly.

Mr Jenkins: I do not think the case is proven for that.

Q681 Chairman: We are moving on now. In response to Mr Mudie's question, is it not the case that you have all done your bit but, like the individual who discovered Elvis, you did not sign him up? You did not make the impression. It was left to Colonel Parker to take the initiative and make his name globally and give a glorious future for Elvis. In your last comments, each of you, how can you make your name globally and tell us what the real story is so that we can best inform our report?

Mr Randall: Crikey! What you are saying is, where are we now? Is that it, a bit of crystal ball gazing?

Q682 Chairman: Yes.

Mr Randall: Are you prepared for unrelenting gloom? Personally, even now I do not think the general public understands the scale and the depth of problems facing the British economy. Those of us who have been saying this for some time I think have been vindicated, the optimists have been confounded and I think we are going to go through at least two years of economic misery.

Mr Barber: I would like to engage in some Chinese self-criticism here and say that, yes, the Financial Times and the journalists' profession in general saw pieces of this puzzle but I think nobody understood that the impact of this financial crisis on the economy would be so severe. For that reason, yes, there will be a severe recession in this country. You are already seeing a severe recession in Europe and a severe recession this week in Asia, and we do not know, frankly, how long this may last. What we do know is that banking is going to be a lot less remunerative than it has been in the last five years.

Mr Peston: For me the big unanswered question is how a system of distributing risk, the securitisation that you have heard so much about over the last year or so which was supposed to make the world a safer place, ended up making it a much more dangerous place. One of the really shocking disclosures of the past few months is that all those loans and risks that we thought the banks had sold to investment institutions all over the world, and Alan Greenspan told us that the sale of all this stuff meant that broadly we could be confident that we were in for this period of remarkable unbroken prosperity, it turns out remained on the banks' balance sheets. It raises questions about why the regulators did not know the stuff was still there. It raises questions about the policy of governments all over the world, and I have to say it also raises questions about whether there was fraud. For me that remains the big unanswered question.

Mr Brummer: I think we have been through 1929, we have had our crash. The markets have crashed, the banks have crashed. They have been saved, but the difference this time is that people have moved around the world to address some of these problems very rapidly. We have poured money into the banks, we have poured money into the credit markets, we have had a big devaluation here in Britain of the pound, so actually we have taken a whole lot of measures to ease the situation and I would not be that surprised - and this is coming from an ace pessimist - if those famous Shriti Vadera "green shoots" began to pop up in places because we have done all that stuff. That must be the great hope, that we have learned the lessons of the 1930s and we have taken the right kinds of steps. What I do believe, and this is why I absolutely agree with Robert, is that it would be nice to think that some of the people who got us into this mess would be investigated and prevented from working in the financial community again in some way. Unfortunately, we do not seem to have a regulatory system in this country which is capable of bringing that discipline to the system and keeping them out from where they are at the moment. As far as journalism is concerned, all I would say is that, yes, it has been fantastically complicated and I do think that we would all benefit, however long we have been around, from a little bit more training and a bit more education on some of these more complicated matters. If that means spending a week in the Bank of England, a week in the FSA and so on, just to improve that rounded education that we need in these products (of course, if we went to the FSA we might not learn anything), it would be a good thing.

Mr Jenkins: We are all in a realm where few of us know anything, so anything you say has an air of unreality to it. I feel that when the history of this period is written, and it will be written in hundreds of books, doubtless by many people around this table now, the most extraordinary thing will still be that once we saw a banking catastrophe on our hands we did not declare those banks bankrupt; we hurled £200 billion of subsidy at them. Rather than spend that money on productive industry, maintaining demand and lending money direct to firms we simply wasted stupefying amounts of money on banks. I have to say, and I have said it before, I think the reason is that the entire leadership of the economic community is obsessed with banking. We have spent the whole afternoon discussing banks, the press and banks, parliament and banks, bonuses and banks. Everyone is obsessed with banks. They are bankrupt; they are useless. We should be spending this money on the real economy, on stimulating demand and doing what Keynes said we should do. We have saved and saved and saved and blown it on banks - crazy.

Chairman: The issue of responsible financial journalism was brought to our attention and that was the reason you were invited here today. I think the Committee have found that an excellent debate and I think it will be hugely helpful to us. I think we could say today that press freedom has ruled in this room. I have just one announcement - Alex, your book will not be on sale as you go out of the door.

Witnesses: Mr Adrian Coles, Director General, Building Societies Association, Mr Iain Cornish, Chief Executive, Yorkshire Building Society, Mr Neville Richardson, Britannia Building Society and Mr Graham Beale, Chief Executive, Nationwide Building Society, gave evidence.

Q683 Chairman: I am going to start, I do not know where Mr Richardson and Mr Cornish are but, Adrian, can you introduce yourself please and Mr Beale.

Mr Coles: I am Adrian Coles. I am Director General of the Building Societies Association which is the representative body for all 55 building societies in the UK.

Mr Beale: Graham Beale, Chief Executive, Nationwide Building Society.

Q684 Chairman: Welcome. We will finish at 4.55 on the button so I want to get as much information out of you as possible before that. Adrian, building societies are very different creatures from banks. Do you believe that your differences leave you better placed to weather the financial storm?

Mr Coles: Yes. The record so far shows that to be the case. Building societies have not, so far, needed any public support; no taxpayer support has been necessary. The difficulties that have emerged in the building society sector have been sorted out by the building societies and I think I would advance three reasons for why building societies have done better in the market over the last 18 months. They are mutual, they are owned by their customers. They are not driven to increase shareholders' returns and profitability and dividends. They are driven to increase customer service, and all the market research that we have done shows our customer service records are better than those of other institutions. They are better trusted. They have better levels of service, better value for money. They adopt a much lower risk model as well and that has been a very prudent approach over the last 18 months. They are not allowed by legislation to do particular things that the banks have indulged in. They are not allowed to fund themselves big time in the wholesale markets. They are not allowed to trade derivatives, currencies or commodities and I think that overall approach to business, reinforced by legislation, has stood them in very good stead over the last 18 months or so.

Q685 Chairman: Welcome. We are starting early because we are finishing at 4.55 sharply so could you introduce yourselves for the shorthand writer please.

Mr Richardson: I am Neville Richardson, Chief Executive of Britannia Building Society.

Mr Cornish: I am Iain Cornish, Chief Executive of Yorkshire Building Society.

Q686 Nick Ainger: Practically all of the demutualised building societies have either gone belly-up, been nationalised or been taken over by another larger bank. What is your view? You were responding to the Chairman about what you thought was positive about the building societies' model, why do you think all those that demutualised have now either disappeared, been taken over or been nationalised?

Mr Coles: I would prefer to concentrate on the positives of the mutual model rather than the disadvantages of the demutualised model but I suppose to put some points forward on your question, I think it is the stock market inducement to deliver short-term returns, to concentrate solely on the shareholder without looking after the customer in a way that a mutual institution does, and the incentive that there is if you want to deliver shareholder returns of taking excessive risk that does not exist in the mutual model.

Q687 Nick Ainger: Has anybody else got a comment?

Mr Beale: What I would add, and reinforce Adrian's comment, is that if you look at the plc model, the motivation there for the directors is to give the shareholders a return, and to give that return they are effectively motivated to take risk. Within the building society model, we are actually motivated to do the opposite because there is no true risk capital within the building society model and for a saver who puts £10,000 with Nationwide or any other building society they have every expectation that at the end of the term of that deposit they will get their £10,000 back and the interest, and we have to run the business accordingly. I think the motivation within the building society is to give an honest return and, in fact, offer honest rates to both savers and borrowers, and to try to get the balance between the two we are not motivated to make additional profit for a shareholder to take.

Q688 Nick Ainger: Is there any risk, given the current climate we are in, that any of the existing building societies would consider demutualising?

Mr Coles: I think the attractions of demutualisation are severely tarnished so it is highly unlikely that any building society would like to demutualise but to say that it would never happen in any circumstances would be a step too far.

Mr Cornish: You would have to win an overwhelming vote from your members and I cannot imagine the proposition we could put to them that would make them vote that way.

Q689 Nick Ainger: We have had submissions from the University of Manchester about the future for those banks which are currently nationalised, Bradford & Bingley, for example, Northern Rock, that perhaps the Government, rather than returning them as a bank to the market, should consider mutualising them, any views?

Mr Richardson: As a principle, it is a good principle. The mutual model does work, it is focused entirely on customers and it has been proven to work. With my own society, Britannia, we demutualised the Bristol and West business some years ago. There would be complications, clearly many complications with doing exactly what you have said, but the principle behind it would clearly be a good idea.

Q690 Nick Ainger: Anybody else?

Mr Cornish: I think that is right. Inevitably you would have to put capital into that business, the members would have a call and you would almost have to rule out the possibility of demutualisation alongside that because otherwise they could put capital into it and then the members could vote for demutualisation and take that capital away again.

Q691 Mr Breed: Mr Coles, can you give us an overview as to how the new mortgage lending across the building society sector has held up over the last 12 months or so?

Mr Coles: New mortgage lending is well down in the building society sector compared with 2006 and 2007. I cannot remember the exact figures, I would guess around a 40% reduction in 2008 compared with 2007. If you look at the most recent figures for net advances in the fourth quarter of 2008, the most recent quarter we have got data for, these are very small figures now so you can get a high market share on a very small amount of business but building societies took 62% of the market in the fourth quarter. Recently building societies have been the main lenders in net terms if you are taking out a repayment into the market, but they have certainly not been immune from the overall downturn in the market place.

Mr Cornish: Roughly we halved our new lending between 2007 and 2008, and there are a number of reasons for that. We were obviously more cautious ourselves in the context of our housing market where house prices were falling by, as it turned out, about 15%. Although we make very little use of wholesale funding, we do have some wholesale funding and that became extremely constrained, and latterly in the year we found ourselves competing for retail funds with the Irish banks in particular but also, to some extent, Northern Rock. There were a lot of pressures. I would also say there was not as much demand for mortgages. Potential borrowers and consumers themselves are being very cautious about taking on new lending in this environment.

Q692 Mr Breed: Was much of that new lending actually just refinance?

Mr Cornish: Yes. I do not have the exact percentages but I would guess between two-thirds and three-quarters of it would have been refinanced, yes.

Q693 Mr Breed: How concerned are you about the impact of competition, particularly with obviously the Government's involvement in Northern Rock, Lloyds, RBS and Bradford and Bingley?

Mr Cornish: I am concerned about unfair competition not competition per se. I would describe it as a trickle rather than a flood but it is very galling when you see money going back to Northern Rock because they are perceived to be more guaranteed than we are, or going back to Irish banks where there is a different guarantee. I think another aspect which hinders us disproportionately to the banks is the Financial Services Compensation Scheme where we are picking up a disproportionate amount of the bill relative to the failed institutions.

Q694 Mr Breed: You were not particularly impressed with the Government's response in the Banking Bill to those of us who actually raised that with them in Committee stages?

Mr Cornish: No, maybe Adrian will know more about this than me, I think we have been very unimpressed with the response from Government having raised this issue.

Mr Coles: Yes, that is right. Just to add to the competition point, clearly there is going to be more intense competition from National Savings over the next year or so. The target for National Savings' inflow has been increased from £4 billion to £11 billion and that is going to have a significant impact on building societies in the very low interest rate environment we are in. Moving on to the Financial Services Compensation Scheme, we have raised issues about the recoveries process at Bradford and Bingley - who is going to get the money back first, the Government or the Compensation Scheme, and therefore the people funding the Compensation Scheme, and what is happening to the interest being paid by Bradford and Bingley borrowers - which have not been adequately answered by the Government so far.

Q695 Mr Breed: When you say "not been adequately answered", have they been answered at all?

Mr Coles: They have chosen to answer a series of questions that we have not put to them that cover less important issues.

Q696 Mr Breed: Finally, are you getting a fair crack of the whip in respect of the Government's initiatives, fair access to any of the Government's initiatives and interventions?

Mr Coles: I think most large building societies have been able to access the special liquidity scheme and a number of medium sized building societies have instigated covered bond programmes as a result of that scheme, so that has been good. Societies of any size are eligible for the recapitalisation scheme and the credit guarantee scheme so I think a fairish crack of the whip. I think one area where we were slightly disappointed, I hope we never have to use it, the Asset Guarantee Scheme is available only to institutions with assets above £25 billion, so that does seem to be discriminatory against smaller institutions but, as I say, that is theoretical at the moment.

Mr Beale: Can I pick up a point. In terms of access to the initiatives, I agree with Adrian that we have been given the access, however there are some complications with the legal structure that governs building societies and in particular there is one provision, which is section 9 of the Building Societies Act which we have been asking for amendment to for a long, long time because it prevents a building society being able to offer a floating charge on its assets. Now you might say that is a very good thing, and generally I would agree with you, but in terms of accessing things like some of the Government initiatives where you are exchanging your own assets for Treasury bills and then you need to swap Treasury bills for a cash form, without being able to offer a floating charge that process of transforming a T-bill into cash, we are heavily restricted. So we have ended up using a third party balance sheet to do that and we have now exhausted their capacity. There are constraints which we have raised.

Chairman: Okay. I will tell you what you can do, because it is important to have this on the record, write to us after the Committee meeting and we will make sure we get those pieces of information conveyed.

Q697 Mr Mudie: You have said mortgages are down from 2007, is this policy on your part?

Mr Coles: I think it reflects both policy on building societies' part to be more careful on who they lend to, and the terms on which they lend. I think it reflects, as Iain said, the downturn in the mortgage market. It reflects the fall in house prices and the expectation of further falls which is reducing the interest of borrowers. It reflects, also, the availability of funding. Building societies have been very attractive to savers, lots of funds have come in but not all of that money has gone into the mortgage market, some of it has gone in to increasing liquidity because you need to hold high levels of liquidity in uncertain times to reassure savers and some of it has gone to repay wholesale funds.

Q698 Mr Mudie: You have covered the field there so I do not know which is which. What is the major driving force limiting mortgages? The Government have said they want it back to 2007 levels. I am not sure it is wise in the housing field but certainly the corporate field, yes. They say that so what is the main driving force stopping you?

Mr Beale: I think the most influential issue is a restriction in the access to credit. If we go back to the pre-crisis days it was very easy in the UK to get a loan of 100% of the value of the property or even more, and that included if you had some form of impaired credit history. Today if you do not have a deposit of at least 15%, and if you do not have a clean credit history, that access to credit is not available.

Q699 Mr Mudie: So that means you have no customers because they are broke?

Mr Beale: What it means is that large segment of the market pre-crisis, which was about a third of the market place, today there is nobody with the risk appetite to lend to that category of borrower.

Q700 Mr Mudie: Are you talking about yourself?

Mr Beale: No, I am not because one of the differences in the way that building societies operate I would say is the issue about attitude to risk, we have never lent 100% loan-to-value, we have never lent excessive amounts.

Q701 Mr Mudie: I am sorry, I am trying to be quick for the Chairman. One of the reasons why mortgages could not be taken up, and I know of one or two instances personally, is that most building societies are doing 65% only, so you have to have a very, very big deposit. Now that is a decision of the building society, is it not, so you may have customers wanting to take a mortgage but because you are imposing this deposit requirement they are no longer customers or they do not become customers. That is what I am trying to get at. Are you scaring customers away by your loan-to-value?

Mr Beale: We are offering loans up to 85% loan-to-value.

Q702 Mr Mudie: 85%?

Mr Beale: Yes.

Q703 Mr Mudie: Say it loud because you are on television, you may get more customers.

Mr Beale: 85% loan-to-value and I think that is sensible given the market conditions.

Q704 Mr Mudie: I am not arguing with that. You are 85% so you are 15% which is different. I looked on the net and a couple were 65%, almost all the mortgages were 65%.

Mr Richardson: I have something to add to that because we too are 85% as well. The thing to add to that is the fact that if somebody is a loyal customer of ours who is a current borrower who comes to replace a product and their loan-to-value now would be much worse than that, we will replace the product. So we will keep loyal to customers who have been loyal to us. That has not been the case in many of the shareholder banks who have encouraged customers to go away.

Q705 Mr Mudie: Let me ask another question and my colleague will come in and ask his question which he was speaking to me about when you were answering. What is your capacity then for mortgages? You have got 20% of the market. You have £230 billion out of £1.23 trillion.

Mr Coles: 20% is right.

Mr Cornish: It is defined by a number of things.

Q706 Mr Mudie: Are you sold up? I am trying like hell to get from you that the Government wants you to lend more. There are people out there, first-time buyers who want, whatever their problems, to get in a new house. You are portraying yourself, and I think quite rightly, as the better lenders in the market. Now, are you lending to your capacity?

Mr Cornish: Yes.

Q707 Mr Mudie: Is that for the market then? Is that for the sector? That is not just you?

Mr Cornish: I can only answer for us.

Q708 Mr Mudie: I will come back to you but, Adrian, is that your view of your sector?

Mr Coles: Yes, it is my view. I think the building societies are lending as much as is prudently sensible at the moment. They are restricted by the funds available.

Q709 Mr Mudie: That is that word, prudence, I thought that had been abolished.

Mr Coles: No, it is a very important word to the FSA at the moment.

Q710 Mr Mudie: It is of no help to us in terms of getting information. What capacity are you operating at then?

Mr Coles: In terms of funding availability, 100%.

Q711 Mr Mudie: So you know it is not prudence, you are spent up.

Mr Cornish: There are other constraints. Clearly we have to retain a very strong capital position and we have to retain a high level of liquid assets. If we took the policy decision today we wanted to double our lending we could only do that if we could raise the funding and, frankly, you cannot do that, certainly not on any stable long-term basis. If you want stable long-term funding, the only game in town is Government guarantee schemes and that is expensive and the extent to which we can use that is limited anyway.

Q712 Mr Mudie: You do have an element of wholesale funding, has that given you problems?

Mr Coles: Building societies can only get 50% of their funding from wholesale markets, and the typical figure is 30%.

Mr Beale: The disruption to the wholesale markets which are well-rehearsed are impacting on building societies as well as the banks. To the extent that funding is restricted, it will restrict our ability to lend. If I can give you an example, before the crisis we would really operate our business model on a market share, we would say we want to do 10% of the market or whatever, we moved to a cash flow model and basically we would lend according to the cash that we could bring in to the business. So a year ago we brought in £9.1 billion and we lent £8.9, so broadly matched it. This year, so far, we have only brought in a small fraction of that £9.1 billion which will reflect on what we can lend to borrowers.

Q713 Mr Mudie: A last question. You are only 20% of the market and the banks have been behaving themselves badly and getting themselves into all sorts of trouble and their future is in doubt et cetera, does this mean we have got real trouble for people buying houses in the future, just a total lack of capacity because you are limited, from all we have said about your present level? There are kids coming through now who are going to want a house. They obviously cannot get through from the mutual side because you are spent up. Now, you multiply that through and we are in serious trouble in terms of people getting a mortgage in the future and we are dependent on the banking sector sorting itself out.

Mr Cornish: The fact is the capital markets remain completely gummed up and you can see that remaining that way for up to two years, there is a lot of capital market which is still to take place. I do not think that is true in the long-term, but in the short to medium term it is going to be difficult to get a mortgage and you would have to say will there ever be a return to 125% loan-to-value, eight times income mortgages and should there be. I would argue very strongly that there should not be.

Q714 Mr Mudie: A building society model that is based on six depositors for the one mortgage is clearly not designed for the need in modern Britain, is it?

Mr Cornish: I think it means that the whole economy has to make an adjustment, so perhaps it will be important for individual borrowers to save before they borrow.

Chairman: Again, some written submissions to us after this meeting on how do we ungum the market.

Q715 Sir Peter Viggers: Building societies collectively have £380 billion of assets, of which £250 billion are residential mortgages. Where is the other £130 billion and is it marked to market?

Mr Coles: The bulk of that is building society liquidity. It is the funds they hold so they can return savings to savers when they turn up at branches and want to withdraw their funds. It is the funds they hold so they can make mortgage loans when mortgage applicants come in. You have to keep a buffer stock so that once you have made a mortgage promise you have funds available even if no savings funds come in. Building societies keep, typically, about 20% of their funds in liquidity. There is some commercial lending, there is a little bit of unsecured lending, a little bit of overdraft, a little bit of credit card lending, but the bulk of that difference that you have just identified is their liquid assets and typically the FSA require building societies to hold above 20% of their total assets in liquidity.

Q716 Sir Peter Viggers: That would be marked to market where that is appropriate?

Mr Coles: Most of it would be in the form of deposits with other financial institutions where the book value is equal to the market value because there is not a market value for deposits.

Q717 Sir Peter Viggers: Turning to the other side of the balance sheet, there is a 50% limit on wholesale funding of which building societies on average have 30%. Is that because they do not wish to take up the remaining 20 or is there market difficulty in obtaining it?

Mr Coles: In the past they have not wished to take it up but, as Graham was saying earlier, it will now be difficult to expand your wholesale funding percentage because of the state of the markets.

Mr Beale: Structurally, if you look across the sector, 30% or thereabouts is the average gearing that you would have on a building society balance sheet.

Q718 Sir Peter Viggers: Can you give us a feel of the market? Is the market becoming harder? More difficult?

Mr Beale: I think that we got off to a very good start and I know why certain comments were made about signs of recovery, but since the disclosures about Royal Bank of Scotland it has gone backwards again. I would say there is not an issue in funding the balance sheet but the length of funding is getting shorter and shorter and shorter, so it is constantly revolving. The difficulty is getting any length to the balance sheet in the wholesale markets.

Q719 Sir Peter Viggers: There is reference in your submission to building societies operating rather as utilities. Do you think banking should be characterised as a utility? Is there a model here that banks could follow?

Mr Coles: Yes, I do. There are some basic banking services without which the economy cannot function: payment, ensuring that people can pay for goods and transfer funds between each other, looking after savings, ensuring that people can pay their bills, these are basic functions. There is an argument for ring-fencing them and not allowing them to be contaminated by more speculative ventures on the part of banks.

Q720 Sir Peter Viggers: So the model that one could follow perhaps in the future would be banks becoming more like building societies with customers rather than shareholders as their priority?

Mr Coles: If you are accountable to customers then it is more likely you are going to offer a higher level of customer service. The market research we have done shows huge differences between customer perceptions of how good customer service is in building societies compared with banks. Certainly high levels of customer service is certainly something that all financial institutions should aspire to.

Q721 Mr Todd: There has been a round of mergers in the sector which have engaged all of your societies here. Your remark, Mr Beale, about the rather conservative approach of this sector is belied perhaps by some of the behaviours that led to the mergers that have taken place. I am a customer of the Derbyshire, for example, I should say that straight away, now your customer. Can you perhaps outline where some of the continuing risks lie in this sector because that kind of behaviour obviously has led to the requirement for the sector to absorb its own faults?

Mr Beale: I think that is an important point, that we have been able to self-regulate in that sense and look after the issues within the sector. I would say that the vast majority of building societies remain very solid for the reasons that we have already discussed. Inevitably, you will always get the odd exception and I think typically where building societies have expanded their activities and gone into areas of risk that they either have not fully understood or where they did not have the right resource in place to be able to deal with them that for a few small instances, Derbyshire is one, the risks were beyond the capacity of the balance sheet and that was where we were able to go in and use the resource we had got to come up with a resolution whereby we have preserved the identity and presence of Derbyshire but we are dealing with the risks on our balance sheet.

Q722 Mr Todd: What I was hinting at was those risks are there, up to now the sector has been able to absorb its own errors, but there must be a point at which that can cease to be the case. Your society could not be, obviously, absorbed within the building society sector if something went wrong. What do we need to be aware of there? Clearly there are difficulties in the model, errors can take place and maybe we need to look a little bit more critically at the model than discussion has so far shown. We are all probably supporters of mutuality but I think we should not have too much of a halo attached to you all.

Mr Beale: I do not disagree with that but I think you have got to look at the fundamentals and it is a fact that the building society sector has got more capital than the plcs. The average tier one sector is in excess of 11%. The regulatory structure prevents high gearing, it prevents trading in the more esoteric instruments, it prevents making markets.

Q723 Mr Todd: The Butterfield Bill, I think, loosened your ability to borrow in wholesale.

Mr Beale: With the approval of the regulator.

Mr Coles: And with the approval of Parliament actually. The secondary legislation has not gone through yet so we would not advocate it at the moment.

Mr Beale: There are lots of safety nets in place that really will prevent a wholesale failure of the building society sector.

Q724 Mr Todd: The other area that has tended to cause concern is perhaps the slightly, it is hard to say this at the moment, old-fashioned governance model of building societies that many people have criticised in the past, wither there are needs to sharpen that. As I said, my own society managed to head off down a pretty disastrous channel with its existing governance. Is there something that we can learn about how to govern these societies better to limit that risk?

Mr Beale: Clearly, and the regulator has acknowledged, in terms of the supervision and understanding of the business models it has not really been where it should be and that would acknowledge the Northern Rock and I think it applies across the whole of the financial services sector. What I am seeing instantly, and we are in the process now of having our regular review with the FSA, is they are stepping up a gear to make sure that the governance and the competence that reside both within building societies and the regulation outside is in place and is up to scratch in terms of what is required.

Q725 Mr Todd: Finally, this is something which some of you may want to put something in on later. If we were to encourage a flowering and a growth of the mutual sector, and perhaps encourage the development of small specialised mutuals that were addressing particular market needs, and there are still some well-run small societies around, are there things that we should be looking at which would help that to happen? Are there barriers to entry which would stop a mutual being set up now to serve a particular need?

Mr Richardson: I do not think there are significant barriers. The mutual sector is a very, very diverse sector and ranges right from mutually run schools through to the very big financial services organisations and to the Co-operative Group, a very, very large organisation. There is a significant spread of mutuals available. With the recent changes in legislation, the Butterfield Act that was referred to earlier, that gives opportunities for different types of mutuals to work better together in the future.

Mr Cornish: Clearly in terms of financial mutuals the big issue would be raising the capital. I do not think that is insurmountable. It is going back 25/30 years now, but the Ecology was set up by just a group of people coming together being willing to give the money.

Q726 Mr Todd: There are some small really successful ones.

Mr Coles: It would not be possible now, unfortuantely, under the regulations today to set up the Ecology Building Society because the minimum capital required by the regulation is a million pounds. How do a group of ecologists get together a million pounds? They would not be able to do that now. The one area of growth of financial mutuals is credit unions. It is difficult to see under current regulations how a new building society could be established unless there was scope to turn a large credit union into a building society, and there is no legislative scope to do that at the moment.

Mr Todd: So that is an area that we might perhaps explore.

Q727 Jim Cousins: Can I first of all point out I am a member of the Nationwide and Britannia Building Societies and, Mr Beale, you will be pleased to know I have a small outstanding mortgage with you which my ambition is to repay quickly so you can lend it to somebody more deserving.

Mr Beale: Thanks.

Q728 Jim Cousins: The Financial Services Compensation Scheme levy has been mentioned already. How significant is this as a charge on the societies?

Mr Beale: It is hugely significant. If you take the levy at its maximum, which is a billion pounds for the whole of the industry, and you express that as a percentage of the profit for the whole industry, it represents about 2.5% profit in the industry. If you then apply the allocation rules based on the amount of deposits that you hold, for the banks the 2.5% becomes 2% and for the building societies it becomes 15%.

Q729 Jim Cousins: Can I stop you there just to explain that. That is because of the nature of your deposits, is it?

Mr Beale: It is because we are predominantly retail funded. We have already said that retail funding is at least 70% typically of the funding on a balance sheet, which means that you get relative to the banks a much more disproportionate cost of the levy and that is why it is allocated that way.

Mr Cornish: I think the other reason is we deliberately suppress our profitability because we want to give value back both to savers and borrowers through more attractive interest rates, so we have this combination of deliberately lower profits and a formula which penalises. I think that 15% is calculated on 2007 profits. Profits this year across the whole industry are going to be much, much lower, so that 15% is going to be a much higher figure. I cannot talk about our own overall results because we are in a closed period, but in terms of quantum of the charge it is moving around a bit because accountants are calibrating it, so to speak, but it is going to be in the order of £15 million to £20 million for us. The charge that HBOS have said in one of their statements is that it is going to be about £200 million, roughly ten times our scale of charge and they are more than 30 times our size as a business. That just gives an idea of the disproportionality.

Mr Beale: It is also highly likely either for the financial year that is just ending or in the new financial year that for some societies this will be the difference between making a profit and making a loss.

Q730 Jim Cousins: Mr Coles, these difficulties seem very specifically to have come about because of the huge charge that was put on the Financial Services Compensation Scheme following the Bradford & Bingley situation and in particular the fallout from the Icelandic banks. There has been this huge borrowing on the scheme which has got re-exported in the form of additional levies. Do you have any specific proposals you could put to us that could mitigate the effects of this on the building society sector?

Mr Coles: Yes. It is particularly galling, to reinforce your point, that those institutions that funded themselves in the riskiest way on the wholesale markets are paying the smallest amount into the scheme. I think we would believe on the building society side now that some form of risk related funding, perhaps related to the FSA's assessment of your capital requirements and liquidity requirements, might be a more sensible way forward than a pure straight line on the amount of deposits that you have attracted. What it means is that if you are fundamentally deposit-based and have adopted what has turned out to be a very safe method of funding yourself, you are penalised for that and that cannot be a sensible way forward, it does not incentivise institutions to fund themselves in what has turned out to be the most sensible way, and we must find some alternative approach.

Mr Cornish: I think as long as it is risk-based it should also be pre-funded so that you put into it before you go bust and make a claim on it, so to speak.

Q731 Ms Keeble: I just wanted to ask a bit more about this. If you did have some sort of a different scheme for organising financing so it did not impact so heavily on organisations which have had a good track record, what specifically would be the criteria that you would look at? You have mentioned do it proportionate to the risk, but how would you judge that?

Mr Cornish: I think it would be for the FSA to judge that and if it was not before it certainly will be now.

Q732 Ms Keeble: Just so we can know what some of the things are that they might look at.

Mr Cornish: I think it would be several things. It would be their funding model, how much resilience they kept within the business themselves, so how much capital they held relative to the risks they were taking, how much liquidity they held to get themselves out of difficulties if their funding was starting to go wrong and to the quality and riskiness of the lending. All the things that have gone wrong in this crisis you would look at in trying to ascertain the risk profile of businesses going forward.

Q733 Ms Keeble: Looking at the compensation schemes, and there are issues about the pension protection fund which is probably similar to the FSCS and the impact on the businesses, do you feel that any existing schemes or planned schemes would be able to cope with the really major collapse of a bank?

Mr Cornish: They clearly would not. The failure of Bradford & Bingley and relatively small Icelandic banks has wrought a lot of damage on the sector. Had HBOS gone the same way of Bradford & Bingley it would have taken all of us down with it, I think it is fair to say.

Q734 Ms Keeble: In terms of the significance of the impact of the levies which you have to pay, do those actually pose any risk to your business at all?

Mr Cornish: Not in the sense that we are very strongly capitalised. We have a 14.5% tier one capital ratio which is very, very high, so we can absorb it. It is not a question of it threatening the business but ultimately, as a member owned business, any additional cost that falls on us has to come from the members over a period of time and that will be in the form of not being able to offer the same attractive interest rates we would otherwise have been able to do.

Q735 Ms Keeble: I wanted to ask Graham Beale a bit about the business models. If you look at some of the profiles of what was happening at the early stage at least of Northern Rock and yourselves, for example, there were some significant differences but also some similarities. I wonder if you can say which were the most significant differences in the business models between yourself and Northern Rock. Also, you referred to your borrowing getting shorter and shorter, and presumably your lending profile remains the same because it is mortgages. Does there come a point where you get into real difficulties because of your difficulty even with your restricted exposure to wholesale markets in getting wholesale funding?

Mr Beale: In terms of the first question, I would say the big differences between our model and the Northern Rock model were the quality of the assets and the quality of lending. We never did the high loan-to-value of 125% loan-to-value lending, so we were always very happy with quality of the business that we were writing.

Q736 Ms Keeble: That only becomes a problem if people default, does it not?

Mr Beale: Correct. The second point is that the loans that we write we keep on the balance sheet. The business that we write we hold on our balance sheet, but with Northern Rock they would package it and sell it on to somebody else. That was what happened to Northern Rock, the confidence fell away, they could no longer securitise, they could no longer fund, and their model collapsed. We fund everything ourselves. On your second point about the wholesale markets getting shorter and shorter, we tend to use the wholesale funding to generate our liquidity and some of the other assets on the balance sheet. Most of our lending for residential lending is secured against or funded by retail deposits, and there is always a churn but we are very happy that the risk profile and the length of the funding for retail will more or less match the length of our lending.

Q737 Ms Keeble: Can I ask a further question about the securitisation. You must have seen the questioning that we did of Northern Rock and their vehicles, and I cannot remember some of the names of Northern Rock's vehicles now. Do you think that enough attention has been paid to that issue because at the time they seemed to be very robust about the quality of the assets? Do you think that we have explored that issue enough? Do you think there were issues that were not resolved about the quality of the securitisation?

Mr Beale: The quality of the securitisation is really determined by the quality of the underlying assets.

Q738 Ms Keeble: Yes.

Mr Beale: It is madness to think that a loan-to-value of 125% is a safe asset. The securitisations tended to blend the assets so that you had some very risky assets with some very safe assets and people were looking at the blend rather than the actual composition of it, and I do not think that has been fully understood. It is only now when the impact of the recession on the UK starts to bite that you will see unemployment rising and that is when you will see defaulting occurring and you will see a lot of the losses crystallising at very large amounts where you have that highly leveraged lending. I think you will see that on balance sheets like Northern Rock as being a main problem going forward.

Mr Cornish: There is a particular relevance there to Bradford & Bingley more than Northern Rock because they had securitisation vehicles as well. They put the good mortgages into covered bonds and left the poor quality ones on their own balance sheet to the extent that the losses from those loans exceeded the capital they had got left. That will start coming back to us as well through the compensation scheme.

Q739 Ms Keeble: You say that there were good loans and bad loans. When we asked I think we got different answers from what you are saying. Who should do the due diligence and how accessible is that information? Can people find it out?

Mr Cornish: There are very comprehensive reports on securitisation vehicles, covered bond vehicles, the ratings agencies have to ascribe a rating to them and a lot of information about the performance of the loans in those vehicles is publicly available.

Q740 Ms Keeble: So these things that were Triple A-d, if you actually dug down into the reports that the ratings agencies did you would have found what the assets were actually worth, is that what you are saying?

Mr Cornish: You would see the breakdown of the assets in terms of the loan-to-values, the average size of the loans, the default position on them.

Q741 Ms Keeble: The Government is saying in its present support for the mortgage market that one of the things it wants to look at is the possibility of increasing, is it loan-to-value or loan-to-income ratio? Do you think it is wise to go down that route given the problems we have got?

Mr Beale: No.

Q742 Ms Keeble: You do not think so. What is the maximum, do you think?

Mr Beale: We are at 85% loan-to-value and we will do around 4% loan-to-income, but it is particularly important that you look at the quality of the underlying income and that determines the multiple rather than an absolute equation. Some of the issues we are dealing with today are a direct consequence of imprudent lending in the past. It would be a disaster if we were to go back to the conditions ahead of the crisis.

Q743 Chairman: In terms of loan-to-income, how much would you give? I remember years ago it used to be two and a half times income. What would you give?

Mr Beale: The most we would do today would be four times. If somebody has got income of £50,000 and no other obligation you have to lend four times. If somebody has got £50,000 income but they have got a car loan, an HP payment and a credit card to pay off then clearly you would bring it down. Really it is not the multiple, it is the quality of the income and their other obligations.

Q744 Chairman: If you are looking for a ceiling you are talking about four?

Mr Beale: Yes.

Mr Richardson: Can I also say that from a building society perspective ---

Chairman: Sorry, we are moving on. Sorry, Neville, Sally distracted me.

Q745 Ms Keeble: I have heard on the radio some of the private housing developers still advertising properties saying, "We'll give you a 75% mortgage; if you haven't got the 25% don't worry, we can sort that out and you can repay it over so many years, blah, blah, blah". Is that the sort of Northern Rock of the future?

Mr Beale: I think it is an attempt to circumvent some of the controls and the underwriting criteria that are in place.

Q746 Ms Keeble: Circumvent, that is quite strong.

Mr Beale: If we are lending against a new build property we are very careful about the valuation and also careful about the source of the deposits and the ability to service the debt.

Q747 Chairman: Neville, as a fellow co-operator I have got to give you your say.

Mr Richardson: Thank you. The straightforward building society model is one that is easier to look at because we do not have to pay for external shareholders. That means we are concentrating on the customer and a lot of the conversation we have been having so far is about what sort of lending should we do from the business perspective, and that is quite right, we should avoid risk because we have to look at the protection of the business and the membership, but also we have to look at the customers and what can the customer get access to. If we are not careful we get into almost a financial exclusion argument of saying we could restrict risk and restrict risk and then nobody gets a mortgage. We have that balance all the time of saying it is not just about loan-to-value, it is about affordability. If people can afford to pay and they are a member of ours then we have to be looking to lend to those people to buy their house.

Chairman: One question from Nick and one question from Colin to tie this up.

Q748 Nick Ainger: My question might be multi-faceted. In response to George Mudie's questions you were saying that you were lending up to 85%, but is that true for first-time buyers as well?

Mr Richardson: Yes, it is.

Q749 Nick Ainger: So it is across the board. You have told us about the four times income model, but the key is not only for those first-time buyers but for the wider economy, particularly our construction industry, that we actually do get first-time buyers back into the market. You are saying you are lending as much as you can, but what would you ask us to maybe recommend to free up so that you are able to lend more using your prudential models which you have described already, particularly aimed at first-time buyers? I am thinking of what the Prime Minister said at Prime

Minister's Questions about using local authorities also to provide mortgages again, which I certainly benefited from back in 1980.

Mr Cornish: Like Graham and Neville we lend at 85% loan-to-value, but we will only do a relatively small amount of that. I think James Crosby covered this issue very well in his final report and he was basically saying if we want to kick-start the housing market there have to be vehicles which allow us to do more of this relatively high loan-to-value, not excessively high loan-to-value, and that probably means greater government guarantees around securitisation vehicles, as simple as that. The little funding we can get, if we went out and told the markets we are going to use it to do 85% loan-to-value mortgages, that would pretty rapidly evaporate on us altogether.

Q750 Mr Breed: Two quick points. Because you had a more prudent lending policy than anybody else, does that mean your current default and, therefore, repossession record is significantly lower than the banks? Does it mean that?

Mr Coles: Yes.

Q751 Mr Breed: So your experience at the present time has meant you have had far fewer defaults and far fewer repossessions?

Mr Beale: These guys are in their closed season, but if I refer to our interim results at September, the average default rate as measured by the Council of Mortgage Lenders was 0.33% and we were at 0.4%.

Q752 Mr Breed: Secondly, are you having problems today in securing term deposits from people? In other words, are they only giving it to you on a sort of seven day basis or are you able to encourage people to lend to you one month, three months, six months, 12 months?

Mr Beale: Is this in wholesale or retail?

Q753 Mr Breed: In retail.

Mr Beale: In retail, yes, people are very happy to commit for one, two, three years.

Q754 Mr Breed: In terms of confidence and trust, all that has happened in the past with Northern Rock and everything else is not having a major effect on the building societies?

Mr Richardson: Quite the opposite. In fact, during the time in the autumn and winter when people were getting far more concerned about the shareholder banks, we were all taking in significant amounts of deposits from customers who trusted and felt they would get a fair deal out of building societies.

Chairman: Finally, you said that you could spend 50% more this year, where would you get that money?

Q755 Mr Mudie: No, you did not say that. I was pointing out that last year you spent 50% more. Where the hell did you get that money last year that has suddenly disappeared this year because you have said that you are lending to capacity and only giving something like 50% mortgages this year? Where did the money go?

Mr Cornish: The reduction in the availability of wholesale funding and, as interest rates start to fall, a slight reduction in the amount of retail funding. A relatively significant proportion of retail funding comes from capitalisation which people then do not withdraw as interest rates fall and that amount of capitalised interest automatically falls.

Mr Coles: And the requirement to hold more funds in liquidity form these days from the FSA.

Q756 Chairman: Adrian, a brief answer to this question. Is the future mutuals, and what do plcs have to learn from mutuals?

Mr Coles: I think the future is mutuals. If you look at the mutual model, it is lower risk, better customer service, better pricing, so send the banks into our branches and they will learn a lot.

Q757 Chairman: Just like the Nationwide's latest promotion, is it not? What have you got? Repeat it.

Mr Beale: We are safe, dependable, reliable.

Chairman: Excellent, what a finish! Thank you very much.