

Treasury Committee

Oral evidence: Appointment of David Roberts as Chair of Court, Bank of England, HC 784

Wednesday 19 October 2022

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Members present: Mel Stride (Chair); Rushanara Ali; Harriett Baldwin; Julie Marson.

Questions 1 - 34

Witness

I: David Roberts, Chair of Court, Bank of England.

Examination of witness

Witness: David Roberts.

Q1 **Chair:** Good afternoon. Welcome to the Treasury Select Committee and this pre-commencement hearing in respect of the appointment of David Roberts as Chair of the Court of the Bank of England. David, would you like to just start by briefly introducing yourself to the Committee?

David Roberts: Good afternoon. My name is David Roberts and I am the incoming Chair of the Court of the Bank of England.

Q2 **Chair:** Thank you and welcome. Can we start with Bank of England independence? I notice you sat in on our previous hearing with Jon Cunliffe and others. Independence is absolutely essential to the well functioning of the financial system and the economy more generally. Do you have any concerns over independence? Is there anything out there that is bothering you or that you have your eye on in particular? I am thinking, perhaps, about the Financial Services and Markets Bill that is working its way through Parliament at the moment. Your general observations on that would be helpful.

David Roberts: Let me start by saying that the independence of institutions is a critical factor in the UK framework. With the United Kingdom being an open, transparent economy, where capital flows, as we have seen, move very rapidly, the independence of the judiciary, the OBR and the Bank of England is vital in the safe and effective working of



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London as a financial centre, and thereby the prosperity of the people of the country. I start from the perspective that independence is crucial.

I follow that up by saying that it is the role of the Chair and the Court to ensure that independence is respected as far as possible, and to raise concerns if we see that being eroded. The obvious place to do that would be through here. We are accountable to you.

How do I feel about it? It is helpful and reassuring that we have heard statements around the independence of the Bank of England from the Chancellor, from yourself and from others, as that reaffirms the commitments that we are doing. It is one of the reasons I took the job. It is probably the least important of everything, but for me it is vital.

As Sir Jon said earlier, we welcome the Financial Services and Markets Bill. We think it is a good thing generally. It brings powers that are appropriate. The intervention power is quite important, as is the competitiveness objective, and maybe I can deal with both of those.

Let me start with the competitiveness objective. The Governor said some time ago that we have had one of those and it ended badly. There are some fundamental differences between where this one is and where that one was. The fact that it is a secondary objective is very important, as is, secondly, the fact that it has a very important proviso around being in line with international standards. Stability comes in many shapes and forms. Competitiveness is part of stability. A vibrant, competitive market with good competition is actually one of the best forms of stability that you can get. Generally, as long as those conditions remain as the Bill goes through, that feels to me to be appropriate, and I have less concern.

The intervention power is something quite different. I listened extensively to your conversation last week with the Financial Secretary. Let me start by saying that clearly, although the Bank can have views, the intervention power is for Parliament. We have not seen the intervention power; therefore, we are talking in the hypothetical.

If I had the temerity to advise parliamentarians, what would I say? I would start by saying that this seems to me to have the potential, depending totally on how it is drafted and what it is, to move powers from Parliament to the Government, and one should be thoughtful about that. I am not saying you should never do it, but we should be thoughtful about that. Sir Jon talked earlier about there being some potentially very limited circumstances where that might be appropriate, which takes me to the second point.

The second point is that the prescription of these powers, if they are indeed introduced, is very important. They should be limited to a few circumstances that are not about second-guessing the risk appetite decisions that regulators might take, but rather about things that are



outwith the remit of the regulators because they are more systemic across the country as a whole.

The third thing is that it is very important that this is done in the full light of day, not behind closed doors, if it is to be used. Therefore, I would be very supportive of open, transparent conversations. It is really important that the regulators are given the opportunity to put forward their views. Ideally, it would not necessarily be in all circumstances. Ideally, this is a decision for Parliament, or certainly the scrutiny of Parliament through the Treasury Select Committee, which again would be the obvious place.

Finally, I have been in financial services for 39 years, and sadly this is likely to be my fourth or fifth recession. In some of those cases, petrol has been poured on to fires by weak regulation. It tends to be more slow-moving, and quite often it is different to the immediacy of cycles, et cetera. It is very important in this that the recognition of accountability flows if the intervention power was ever to be used. You cannot hold regulators accountable for something that they did not do or did not want to do.

We are all interested to see what the text is, if indeed it is put in, but I would encourage everyone, Government and parliamentarians alike, to think extremely carefully. Going back to the point that Jon made, fundamental to the competitiveness of the United Kingdom's financial services sector, the value that brings to the public purse, and the jobs that are created outside of London is the fact that we have an open, transparent, predictable regulatory regime. Things that could be interpreted as undermining that are things that Parliament should think very carefully about.

Q3 Chair: On the point of transparency, how would you see that? In your view, what are the main components of getting this conversation and decision-making process right?

David Roberts: I read the Financial Services and Markets Bill at the weekend, and the other point I would make is that within it, as I understand it, there is the power for the Treasury to ask the regulator to review.

Chair: Clause 27.

David Roberts: You are better informed than I am. That is quite a useful stepping stone and a process that actually provides quite a lot of support.

When it comes to transparency, it is very dependent on the issue, so it is very hard to put that into the generality, which is one of the concerns. If it is firm-specific, I would be very surprised if it got there. It should not get there. That is completely different.

It is sectoral-specific. It depends, to some extent, on the regulator's judgment as to whether transparency produces harm or help, so your question is a good one. It is about transparency of the principles,



transparency of both sides of the conversation, and the judgments that are being made that you can then interrogate, but it is very situation-specific.

Q4 Chair: You would think it was important that, where there was a disagreement, and pushing and shoving and everything else, the basic reasoning around both sides of the argument would be out there.

David Roberts: That is exactly what I meant to say, if it was not clear. The regulators have to be able to give their point of view, because fundamentally, as Jon put it very eloquently—and it is exactly where I am—if it is a judgment around the risk appetite, that is a challenge to the integrity, independence and open, transparent predictability of regulation.

I have worked inside and outside the UK. I have run banks outside the UK. That confidence in predictability of regulation is vital in terms of whether you are going to invest in this country. If it is about risk appetite, it is separate. If it is about something that is outwith the powers and the remits of the Bank, then that is a different conversation.

Q5 Rushanara Ali: Do you think that recent events have knocked the confidence of those in financial services in relation not only to regulation, but also the independence of institutions, or institutions being able to take part in their appropriate role? What is the damage and what does that mean in the short and medium term?

David Roberts: Where we are now has, in some respects, strengthened the sense of independence of the Bank. The Bank acted incredibly independently within its financial stability objective. From that perspective, although I do not think I would ever want to go through the last few weeks, the outcome has been strong. The reassuring comments and discussions that have taken place around the independence of the Bank and the use of the OBR have reaffirmed what people believed. The proof will be in the eating.

Q6 Rushanara Ali: Yes, but the signal presumably is that, if you leave out the OBR and the important role that they play, you start to dismantle the institutions that are there to support the Government in making those decisions and providing a climate where financial services can operate with some predictability and consistency, and where investors have a line of sight about what the future holds. That is not where we have been, and of course the interventions of the Bank are welcome, but the Bank was picking up the pieces and fixing a problem caused by the reaction to the mini-Budget.

David Roberts: If you have a clearly defined framework and institutional pillars and then you do not live to those, that sends messages to markets.

Q7 Rushanara Ali: Can you just talk me through how effectively you think each of the MPC, FPC and PRC are operating at the moment?



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David Roberts: If I may, I am going to plead the fact that I have only been doing this for two to three weeks.

Q8 **Rushanara Ali:** Do you have any initial thoughts that you want to share with us?

David Roberts: One of the joys of public services, of course, is that you have a lot of commentary, much of which is judged on the results rather than the facts that were available at the time. If I stand back and look at the decisions on both monetary policy and financial stability, it is self-evident that we have to get inflation back to target. That is the number one priority. Due to actually managing conflicts during this intervening period, I have not observed any of the policy committees. I have that starting in a couple of weeks' time, so it would be wrong of me to make any observation about them.

What I would say, however, is that, under the constitution of the Court, I have a responsibility to look at the effectiveness. That is something that I will do and take very seriously, but I really cannot give you any observations.

I can say that I have seen the Bank close up through the last three weeks. The first thing I should do is put very clearly on the record that I have been astonished at the dedication, commitment, professionalism, hard work, teamworking and resilience of the people. You saw three of them today who were in the frontline, but there are many people right through the Bank and its operations that have done amazing things. The public owes them a debt of gratitude for what they did.

The secondly thing I would say is that the Bank is clear, as you heard Jon say, that we will look and see if there are things we can do differently. That is essential.

Q9 **Rushanara Ali:** As we know, the Court can commission reviews for the Bank's Independent Evaluation Office. Have you any thoughts on the areas of work in which that might happen? Given the recent events in the gilt markets, is that one potential option? If so, what would you like the IEO to look at?

David Roberts: This is a very live conversation because it goes to Court on Tuesday next week, so I cannot prejudge where the Court will get to. In these things, there is some benefit in looking at them through the rear-view mirror rather than being in the absolute precision of the moment. On our list, do I think we would consider the types of areas you mentioned? Yes, we would.

There is then a question of prioritisation, but I see it as a key part of a healthy organisation that it is learning in an institutionalised way. The IEO is a great way of doing that. One of the challenges of that is that quite often there is much more of a blame game in a public sector environment than there is in the private sector, but I am still keen to



ensure that we become an institutionalised learning organisation. That is the way we will improve, and the IEO is part of that.

- Q10 **Rushanara Ali:** I have one last question. The Transactions Committee of the Court was briefed and consulted on the Bank's recent financial stability market interventions. What do you see as the role of the Court in relation to emergency situations like those, and what experience do you have of responding to emergency situations in your previous roles?

David Roberts: The latter question, unfortunately, could take quite a long time to answer. I will keep it very short. In terms of the Transactions Committee, anything that is outwith the Bank's risk appetite or involves materially changing the way that the balance sheet is used is then subject to oversight by the Court. That is done through the full Court unless it is so time-critical that it needs a subset, which is what the Transactions Committee is. You are right to say that the Transactions Committee was involved in all of the interventions over the last two weeks.

In terms of my experience, whether it be in the health service through Covid, the insurance industry through Covid, or the banking industry through multiple recessions, I have had quite a lot. Unfortunately, in this industry you do get to have challenges. Each one is different and you learn all the time, and the key is to keep that and take it forward.

- Q11 **Julie Marson:** I would like to follow up a little on your written responses about technology in the Bank. For anyone watching, I will just quote what you said. You said that "the Bank has under-invested in technology for a considerable time relative to private financial services firms and has a significant journey ahead of it". Could you expand on that, what your worries are and what you think that journey might look like?

David Roberts: It is important to contextualise a little. There are two areas I would point to where the Bank has spent significant sums and invested well. One is the real-time gross settlement system renewal, which is ongoing and is a major upgrade, critical for resilience and for services and for data provision to parties. The second one is cybersecurity, where you will not be surprised to know that the Bank has, continues and will continue to invest. We should put that to one side.

All financial services businesses are going through a transition from legacy data centre-oriented to cloud-based, and from more siloed structures through to integrated data. Resilience has changed fundamentally, and the whole software industry itself is driving a change to a totally different model that all in the financial services industry and others have to go through. That means that there is a significant change at infrastructure, application, networks and system management. My observation, admittedly after three weeks, is that the Bank has some way to go to do that, and it is behind where leading financial services businesses are.



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That is not just about pounds to buy kit or to upgrade systems. It is critically about the capability to do that, because the worst thing you can do is start making these investments if you do not have the human capital to be able to do this well. This, by the way, is an industry that is massively oversubscribed. It is an industry that everyone is struggling to get, but it is filled with very talented people who are very keen on the mission.

If there is one thing that we have that we can use, it is that the mission and purpose of the Bank will be deeply attractive to people. We are into a multi-year, staged, phased series of investments, starting with capability. This is recognised by the Governor and the senior team. It is understood by the Court, and we have to move forward over the next period of time to start mobilising to achieve it.

Q12 Julie Marson: Your experience has been in the sector. How is that going to help you to deliver that? That is a significant project of change and investment?

David Roberts: I have had the great fortune in both my executive and my non-executive career to have been involved in quite a number of system and data upgrades. My role is much more on the governance side now than the doing side. I gave some examples in my written response of things that we have done, and we will be doing those things again. The prescription is always different, based on the organisation and where it is, but those are examples of some of the things.

The most important thing is to ensure that you have the capability to be able to make good decisions, and that you do not rush into these things and spend money and then realise that they go wrong. They are always challenging, they always take time and they are always hard, and I have seen some things go wrong. Therefore, you have a bit of a nose as to where to go and look as well.

Q13 Julie Marson: You mention money and you mention people. The Bank has already got quite a large number of vacancies in technology areas and across the board. Why is that, and what kind of risk does that pose to delivery not just of technology, but of the general operations of the Bank?

David Roberts: Interestingly, people have not brought to my attention significant concerns about shortages at the moment. In technology, it is more skills shortage than number shortage. Where are the issues there? The issues are finding people at a compensation level that we can live with and afford, and that is appropriate for a public sector organisation that is different from a private sector organisation. That is where we have to emphasise the overall value, the impact that people can have, the mission and purpose, and surround it with the training and development. The risk is that we are unable to recruit and retain in a market that is extremely hot. We are starting that journey. We will find out, but we will



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have to find a way to solve that, because it is not in anyone's interests for the central bank to be lagging behind.

- Q14 **Julie Marson:** Money is so often at the centre of all of those things. In terms of people and technology, what is your view of how much the budget might have to increase?

David Roberts: I have no idea of that at the moment. It is something that will take some time. Also, quite a lot of this is not for the public purse. Under the way the Bank charges, it is something that will take place over time, and one of my roles will be to engage with the large players to make the case that it is in their long-term interest to support this as well. We are quite a number of months away from understanding it, nor do I understand what the offsetting efficiencies are. The other side of this programme is that it has to drive underlying efficiencies. There is always a timing gap. I do not know, but I am sure there will be efficiencies. I have yet to meet an organisation that does not have opportunity, so there is a lot of heavy lifting to do to be able to answer your question, which is very fair.

- Q15 **Harriett Baldwin:** On conflicts of interest, I know that you are remaining as an adviser to the chairman of Campion Willcocks, and you are going to be paid a small fee. Will it be disclosed what that fee is?

David Roberts: There is no reason why it should not be. There is nothing from my perspective as to why I would not do that. To be blunt, I am not sure what the rules are within the Bank; I will follow whatever they are.

Harriett Baldwin: You can disclose it here if you want.

David Roberts: There is a conversation, because it is less than what it currently is. I currently get paid about £30,000 a year to do what I do. I suspect it is going to be the same or less.

Harriett Baldwin: It is a recruitment firm.

David Roberts: It is a recruitment firm. I should be very clear. I have been engaged with them for 10 to 15 years. It is run by a friend I have known for 30 years. They provide change management and project management resources in the main.

Harriett Baldwin: That is in the financial services sector.

David Roberts: Yes, in the financial services sector, but I have no involvement in any of their operational details, to be clear, nor do I in any way act on their behalf. They have been very clear that they will not work for the Bank at all. They have done a good few years ago; it is a decade or so ago, I think.

- Q16 **Harriett Baldwin:** They might work for quite a lot of other firms in the financial sector.

David Roberts: They probably will.



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- Q17 **Harriett Baldwin:** Those are firms that are regulated by the PRA.
- David Roberts:** Yes, but those are one or two people in projects and programmes. They are not systemic.
- Q18 **Harriett Baldwin:** Why are you so reluctant not to just move on and have a completely clean slate on this one?
- David Roberts:** A sense of loyalty to a colleague and a friend, and the fact that it is very much at the margin. I do not think it has any impact on the firms. Most of the firms would not know that they were using this firm. From my own perspective, I am completely satisfied that there is not any conflict. I am a great believer in transparency. Conflict is best handled by transparency, hence the reason I have declared everything. I cannot foresee a set of circumstances, given the Court has no policy role and nor do I, where a conflict would emerge. If there was, I would recuse myself clearly, and that is the logic that got me to where I was.
- Q19 **Harriett Baldwin:** You are saying it is a friendship, but you are being paid for it.
- David Roberts:** Does the fee make any difference? In my mind, it does not. I would do it for no fee. I have just reduced any negotiating power, if he is watching. In my own mind, I am really comfortable.
- Q20 **Harriett Baldwin:** Is there no reputational risk or anything?
- David Roberts:** To be clear, if there was any lingering doubt, I would not do it. As you have seen, I have got rid of everything I am doing.
- Harriett Baldwin:** That is why I focused on this one.
- David Roberts:** It is very small. That is the other reason.
- Q21 **Harriett Baldwin:** It is not like this job is not a big job. It might be good to get all the barnacles off the boat.
- David Roberts:** To be fair, I have made clear my commitment to this job by the actions I have taken so far.
- Q22 **Harriett Baldwin:** Do you still own a portfolio of different banks' shares?
- David Roberts:** I have a very small number of Barclays shares. The vast majority of my pension is pretty much in delegated management.
- Q23 **Harriett Baldwin:** Does the Bank require you to declare those Barclays shares?
- David Roberts:** Yes, and I have declared them. I have some Beazley shares. I was the chair of Beazley up until a day or two ago.
- Q24 **Harriett Baldwin:** There is nothing unvested.
- David Roberts:** No, I am a non-exec, so it is nothing like that.
- Q25 **Harriett Baldwin:** I am just checking. What about Barclays as well?



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David Roberts: My Barclays shares are 20 or 30 years old and it is a very small number. Everything is done in line with the Bank's policy. Everything is delegated. I will not talk to the funds themselves. It will be done through an adviser, so it is always done remotely and nothing will be done in any way, shape or form that could be construed as any form of information.

Q26 **Harriett Baldwin:** What if you were ever to sell your Barclays shares?

David Roberts: I have to get approval.

Q27 **Harriett Baldwin:** Would the public be told? Would it become apparent? We have had this with members of the Court before, and it feels to me like a bit of an uncomfortable situation. You might come into some information that you thought was worrying about Barclays. You might sell those shares and the public would never know.

David Roberts: The way that that is done is that I have to go and get approval from the Bank's conflicts and ethics officer before I sell anything, and he would know where I had been and what I was doing.

Q28 **Harriett Baldwin:** Is it not another barnacle that might be quite helpful to have off the boat?

David Roberts: It is something that is on my list to look at generally, but I take your point.

Q29 **Harriett Baldwin:** Everyone on this Committee knows that I was very pleased to have launched the Women in Finance Charter with the then Governor, Mark Carney.

David Roberts: Yes. I know, and we signed up to it.

Q30 **Harriett Baldwin:** You have adopted it and you are making good progress on the number of women. Right at the top, though, it does still give the impression of all white men. How long is it to be before we see Deputy Governors and Governors who are not white men?

David Roberts: The appointments are not of the Court.

Q31 **Harriett Baldwin:** No, but you are entitled to ask questions about that.

David Roberts: Yes. I am not ducking the issue at all. The Bank's job and my job is to help Andrew ensure that there are well-qualified, diverse candidates that are suitable for the appointments panel to consider. In my written statement, you saw my very strong belief in diversity and inclusion as a way for maximum talent and better decision-making, because it avoids groupthink. That is vital, so I will be as influential as I possibly can be in ensuring first that the best person gets the job, because that is the most important thing, but, secondly, that the need to ensure the avoidance of groupthink and the wider aspects are taken into account. Ultimately, the decision is not mine.

Q32 **Harriett Baldwin:** Indeed, but you fully support the recommendations in



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the Court review of ethnic diversity and inclusion, and you will be continuing to play your role in taking that work forward.

David Roberts: Absolutely, yes. I will be publicly and privately very supportive, because I fundamentally believe that there is an ethical case. Why would my daughter have less opportunity than my son? Why would my friend who is British but whose family comes from Ghana have less opportunity than my friend who is British and was born in Leeds? I do not understand that.

Fundamentally, I am after the best talent, because that is critical to capability. Can we ensure that we have the best decision-making processes? That involves the absence of groupthink and the bringing of different perspectives? Can we ensure that everyone who comes into the Bank feels that they have equal opportunity, support and potential to be able to fulfil their career opportunities and to bring their best self to work? As the Court review shows, there is quite a lot to do. Some of those themes are familiar from other places. Some of them are Bank-specific. We will prosecute those, but it is a difficult journey and one that will take time.

Q33 **Harriett Baldwin:** It is one that you are going to focus on.

David Roberts: Yes, 100%.

Q34 **Chair:** David, I have a quick follow-up on the Barclays shares and the interest in the recruitment company. They were both fully disclosed to the Bank during the selection process and have been dealt with in the appropriate way.

David Roberts: Yes, correct.

Chair: That brings us to the end of this pre-commencement hearing. Thank you very much for appearing before us. We will go into private session now for a quick discussion on the issue of our report, but we can probably safely wish you all the best for the future.