HOUSE OF COMMONS

Treasury Committee

Oral evidence: Co-op Governance Review HC 1265

Wednesday 7 May 2014

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Watch the meeting

Members present: Mr Andrew Tyrie (Chair), Mark Garnier, Mr Andrew Love, Mr Pat McFadden, John Mann, Mr Brooks Newmark, Jesse Norman, Teresa Pearce, Mr David Ruffley and John Thurso

Questions 1-76

Witness: **Lord Myners CBE**, Leader of the review into the Co-op's governance, gave evidence.

Q1 **Chair:** Thank you very much for coming to give evidence to us this afternoon, Lord Myners, which coincides with the much fuller report than your interim report, although it is saying pretty much the same things, that was published earlier today or maybe last night. We have also had the *Kelly Report* on corporate governance. My impression is that you agree with the Kelly conclusions and that those conclusions are consistent with the evidence that was taken by this Committee in a succession of hearings with Co-op directors and former directors. Is that correct?

Lord Myners: That is correct.

Q2 **Chair:** Why did you tender your resignation as senior independent director of the Co-op?

Lord Myners: I was appointed to the board of the Co-op in December with a specific brief to conduct an independent review on governance, which would report directly to the 8 million members rather than just the board. I sat on the board for three months. I became exasperated by their amateurish approach to their duties, particularly when it came to approving the annual report and accounts. In my judgment, a significant number of the directors had not carefully studied the accounts and did not understand the importance of some of the assumptions that lay behind the accounts. Indeed, I got a strong impression that some of them were waiting for me to sign the accounts in order that they could have the comfort of slipstreaming behind my signature and I felt I would have been wrong to have done that. Accordingly, I indicated that I would not stand for election at the annual general meeting on 17 May but I would complete my governance review, which I have done with the publication of a report this morning.

Q3 Chair: Do I take it from that that you think governance arrangements at the Co-op are unfit for purpose?

Lord Myners: I think the governance arrangements at the Co-op reflect a systemic flaw that the most senior governance body of the Co-op, a group of 21 people, can be largely drawn from an election through a very complex democratic structure of lay people. With the exception of the five representatives of the independent co-operative societies who sit on the board and myself, there is no one else on the board of the Co-op who has any serious business experience.

Q4 Chair: It is not just financial experience; it is any business experience?

Lord Myners: Any business experience or any financial experience.

Q5 Chair: No understanding of balance sheet; no understanding of cash flow; no understanding of profit and loss. Is that what you are telling us?

Lord Myners: No. At a meeting of the senior democrats of the group held in Manchester on 1 March I asked whether any elected regional director could explain to the group what the term "cost of capital" meant and how it was calculated. Not a single member of the board volunteered, and that did not surprise me.

Q6 Chair: It sounds like being on that board is not the only place—being on this Committee is not the only place either—where you are going to be asked the odd difficult question, the odd factual question, which seems to trip people up.

Lord Myners: Yes. I hope you are not going to do that, Chairman.

Q7 Chair: I do not have any in mind just now. I will ask you whether you expect the governance reforms that you propose to be accepted at the annual general meeting on 17 May.

Lord Myners: It is very difficult for me to say.

Q8 Chair: You have earlier said you thought it was very unlikely.

Lord Myners: Yes. It is very difficult to form a clear view because there is also an acute democratic deficit at the Co-op. There are 8 million members, but they have far more limited powers than shareholders in a public company. Even somebody owning one share in a public company can attend an annual general meeting, speak at an annual general meeting, vote at an annual general meeting and vote on significant acquisitions and disposals, which, in the context of the Co-op, would have included Somerfield and Britannia. Ordinary members of the Co-op have none of those rights.

The annual general meetings do not allow the press to be present, so an organisation that claims transparency and openness as one of its core values locks the doors on the press. The ordinary members have no vote on material transactions. Those votes are taken by a small group in the board who have worked their way up slowly through a process of service on an area committee, where they have then stood for election to a regional board, and where they finally stand for election to a national board.

A further aspect of this democratic deficit is that if, at any time, they lose a seat on an area committee or a regional board, they automatically have to resign from the national board. If they move home to a different constituency, in your language, they would have to resign from the national board. That means they are constantly up for election and this creates a combination where you have a democratic deficit and a pressure for short-term deliverables that is at odds with the concept of co-operation and mutuality, which should be about true long-term planning.

Can I just add one other thing, Chairman, in case I forget it later? I am not in any way critical of co-operation or mutuality. The points I make are specific to the Co-operative Group because of its size, its complexity and the lamentable performance of those who have been on the board of directors and who still do not accept full responsibility for their deficiencies.

Q9 **Chair:** We will come on to these points in more detail with colleagues asking other questions, but your proposed solution is a hybrid. Are you confident that that would work?

Lord Myners: I do not think, Chairman, that one can say with absolute certainty that any particular form of governance will assuredly produce good outcomes. We know that other models also suffered from failure, but I can say with a high degree of confidence that the structure I propose around a professional and experienced board, manageable in size and holding the executive to account, complemented by a national members' council specifically charged with two things: one, checking the board are doing what they should be doing, as shareholders should monitor the performance of a public company board, and empowered and resourced to ensure that the group is managed in a manner consistent with its values and principles—and finally, one member one vote rather than the current system in which fewer than one in 10,000 members will vote at next week's AGM is a distinctly superior structure to the current one and a structure that is less likely to fail than the current one.

Q10 **Chair:** You are placing great weight on the nominations committee to do a lot of the heavy lifting in your arrangements, aren't you?

Lord Myners: Yes, I am. They are the entry door for board approved candidates. I am continuing to allow or, in fact, permit for the first time the nomination of people to the board without going through the nominations committee process. It will simply indicate on the electoral form that these candidates are proposed by the nominations committee. The nominations committee will include two members of the national membership council. It will include employee representation, which is a first in this country. I am also proposing that employees and members of the national membership council should have a right of attendance at remuneration committees, which again is a big step beyond current PLC process. What I absolutely rebut is I am proposing a PLC model for the Co-op. It is a PLC super-plus model in terms of checks, balances and democratic accountability.

Q11 **Chair:** It is those non-execs who are going to be put there by the nominations committee who are going to have to do the hard work.

Lord Myners: Yes, and that is true—

Q12 **Chair:** Therefore, the nominations committee just has to get this right on your system. Everything is being channelled through them. It stands or falls, in your proposal, by the capacity and the competence of these people.

Lord Myners: That is true for a PLC as well, but there is an additional backstop here through the national membership council and its own inner committee. It is a member-owned organisation. The public policy issue here is how 8 million members can control an organisation of this scale and complexity.

Q13 **Chair:** You think they can do some effective scrutiny through the nominations committee?

Lord Myners: Yes, the nominations committee and the national membership council, who will review the work of the nominations committee. There is a degree of suspicion about the nominations committee, "Is Myners simply trying to fill this board with people he has worked with in the past and so on?" I am absolutely not, but what I have built in is some checks and balances, the nominations committee work being overseen by the national membership council, and all candidates being voted on each year by the whole membership.

Q14 **Chair:** Do you think the model that you are proposing is one that could be rolled out for other organisations or for organisations of a similar type? Are you creating another unique template or something that could be much more widely used? You described it a moment ago as a super limited liability board or words to that effect.

Lord Myners: I think it has a number of features that are significantly stronger in terms of accountability and checks and balances than the PLC model. I have previously given evidence to the Committee on some of the deficiencies of institutional shareholders as owners and I think—

Q15 **Chair:** Although one of their roles, historically and indeed recently, has been to take a close interest in the way the nominations committee is appointing key people to the top in the organisations and, therefore, not necessarily entirely onymous, which is why I have been raising the nominations committee and their role in these opening questions and why I am asking whether these people who are going to come on to it from two routes are going to be up to the job?

Lord Myners: I believe it will be possible to find very good candidates to do that task, Chairman. In practice, in the PLC institutional world, the nominations committee has been the neglected committee. The audit committee and the remuneration committee have received much more attention than the nominations committee, but that is the funnel through which talent has to be taken to the board. I have argued elsewhere that the nominations committee requires much more attention than it currently gets and that the shareholders should sit on the nominations committee.

I am consistent with that view here as far as the Co-op is concerned. I think the Co-op can recruit talented non-executives. There is a potential that the Co-op is at an inflection point. After 50 years of progressive, cultivated decline, it is at an inflection point where, if it takes the right decisions, it can reverse that decline and look forward to a much more successful future than its recent past.

Q16 **Mr Newmark:** I am highly sympathetic, and I enjoyed your discussion on Radio 4 this morning. You talked about the weaknesses within the qualifications of the individuals and not knowing the difference between a debit and a credit and return on capital, or return on capital employed or whatever other financial definitions you want people to test on. You could probably test half the people on this Committee and they probably would not understand either, if I am honest about it, but I think having a bit of business experience is important. I also think probably training is important. My question to you is: you said what qualifications members do not have. What qualifications does the Co-op currently require board members to have, other than to come up through the whole system democratically elected? Are there any other specific qualifications they look for in an individual, to say, "Yes, you are the right person for this job or this particular board?"

Lord Myners: They are more about behaviour than necessarily defined in limited terms of experience. They would be people who are comfortable with engaging in constructive challenge; who will stick to their ground until they get a satisfactory answer; who are respectful of others; who are knowledgeable about basic business terminology; and who show a proper interest in the context in which the group is operating. But what you would do—

Q17 **Mr Newmark:** That is what you are saying that you would like; at the moment I am trying to understand where we sit today. Are you are saying they have no qualifications whatsoever other than they have simply emerged somehow through the system?

Lord Myners: They have emerged through the system. There are no—

Q18 **Mr Newmark:** When board members are being chosen, there is no ticking the box of qualifications that are looked for. Okay. My next question, because I know the Chairman will want to push on time-wise, is: what training is then provided for board members? If there is a board and if there is no system of saying, "Someone has to have this qualification or that qualification", then, in order to retrofit that problem, is there some sort of training scheme that is out there?

Lord Myners: Mr Newmark, if there was a training scheme that could take raw-based talent and convert it into the competence to be a fully accomplished, contributing director of a business that would be in the FTSE 100 index if it was a public company, we would be overwhelmed with applications to participate in this training scheme. I think it is a flawed belief that you can train from almost zero business skill up to the level required. That said, there is always a need for ongoing training because of new practices, codes, technology and so on, but Harvard does not tell people, "When you have done an MBA at Harvard you are equipped to sit on the board of a major corporation."

Mr Newmark: As a Harvard MBA, they certainly make you believe that.

Lord Myners: Yes. I see where you are from, sir.

Q19 **Mr Newmark:** It has been a long haul, though. First, there are no qualifications. Secondly, there is no training provided. That seems to be the recipe for a perfect storm in a very large company where a lot of people are employed and a lot of money is in the system; where you end up with people like the Rev. Paul Flowers emerging, who do not know whether the debts of the company are what they are to the tune of 10, or I think it was probably 40-fold. I cannot remember what the figure was, but it leads to that sort of problem, I guess. Just switching direction then, a little bit, what is the balance of power between the group board and the group executive?

Lord Myners: There is a phrase that is used in the co-operative movement and was repeated to me by two members of the group board, both of whom were elected from the regions, that in the Co-op the management is on tap not on top. It was a delusion here, Mr Newmark, that the management could be held to account by the board. When I said to the board, "What happened with Britannia and Somerfield?", they said, "The management kept us in the dark. They didn't tell us what was going on. They ran circles around us."

I said, "It is your duty as a board of directors to rumble that, to press them to answer the questions, and to insist on the provision of information in the knowledge that, if you fail after consistent pressure, you must find new management". They just did not accept that. One director from the north-east of England said, "How can we fire Peter Marks or how could we have fired him when he was making the profits?" My experience is, frequently, the person who is making extraordinary profits, which were what were then being reported by the bank, is the one that requires closest scrutiny. There was a naivety among the board about this particular issue, born from a lack of experience. None of them had sat on the board of anything much larger than a regional committee of a trade union or, in one case, the committee of a golf club.

Mr Newmark: I do not think I have any more questions, other than to thank Lord Myners. That was extremely enlightening and I wish the Co-op good luck in sorting their problems out.

Q20 **Jesse Norman:** Lord Myners, I am tempted to ask you about the capital asset pricing model, particularly with an organisation with strictly limited equity capital; so, interesting questions. The point I want to raise first with you is, just to note the unbelievably devastating language in which you have couched your report, "The present governance architecture and allocation is not fit for purpose; individuals do not possess the requisite skills and experience; a façade of control; extremely narrow pool of entrenched incumbents; governance without the necessary qualifications; democratic deficit; social goal agenda basically unaligned; crippling."

It is an extraordinarily swingeing indictment of the institution. The thing that is so striking to anyone who admires and believes in the power of the co-operative model, as I do, is how at odds that indictment is, reinforced as it is by the *Kelly Report* and by other evidence, including evidence given to this Committee, with the Rochdale Principles under which co-ops are governed and under which they are founded. Just to remind ourselves, the principles, certainly in the Co-op's own version include, "Principles of democracy, which give members a say in running the business, solidarity, openness, honesty, voluntary and open membership, democratic local control". These things are being egregiously violated. This is a case study in institutional hypocrisy, is it not, Lord Myners?

Lord Myners: I think you summarise well what I have said. I did not use the word "hypocrisy", but there was certainly an inconsistency between declared adherence to co-operative values and principles and the way people behaved. The Co-operative Group had a code of conduct that involved issues such as maintenance of confidentiality and collective responsibility and the directors sat on the board as representatives not delegates. These were consistently ignored. The code of conduct effectively gathered dust on top of a filing cabinet and was barely considered. There was a serious disconnect between declared values and principles and actual behaviour. As you have noted, the Co-op Bank was as much up to its eyes in PPI mis-selling as other banks. One would have thought that a bank which held itself out as being based on ethical principles would possibly have sidestepped some of these problems.

Q21 **Jesse Norman:** We heard that when the Rev. Flowers was chosen to be the chairman of the bank, it was done with the understanding that, although he had absolutely no relevant commercial or banking knowledge, he had scored higher on the psychometric tests than Rodney Baker-Bates. All this suggests, to me at least, that this is an organisation that has long since left any economic rationale behind. It has been run essentially as a political organisation.

Chair: It does tell you something about psychometric tests, though, does it not?

Jesse Norman: The line at the moment, Chairman, as you may know, is that "the Co-op did not do the math but the meth", which rather picks up the point. You were saying, Lord Myners?

Lord Myners: I was not given a psychometric test before they asked me to produce this report. I think the co-operative movement is populated with people with excellent intent, who do want to create a better society, who really do believe that a purpose around living in and giving to the community is important, and who believe that the co-operative way of doing things is a superior way to the more conventional private business model, but I am afraid that that is parroted more often than it is put into practice.

The Co-op is quite a political body at the top. There are several members of the board of the Co-op who have stood for election as MEPs, who hold positions as councillors, including one who is currently suspended from the board for claiming that he is a chartered accountant when he is not a chartered accountant, but is still on the board, Mr Norman. On a PLC, that person would have stood down immediately. There are a lot of people with active involvement in the trade union movement and so on, on the board of the Co-operative Group.

Q22 **Jesse Norman:** It appears that a lot of damage has been done by leaking and, indeed, one director has either stepped down or been removed, Mr Stuart Ramsay, for leaking. Do you know anything about that? Is he the only person who we can be certain has been leaking board information to the public?

Lord Myners: The Co-op has been beset by leaks for the last 12 months, including around the bank recapitalisation. Some of those leaks have probably been in breach of financial services legislation. They have certainly done the Co-op considerable damage including, in particular, driving out a first-class chief executive in Euan Sutherland. The Co-op has conducted an inquiry into those leaks, which was led by the private investigation firm Kroll, who have reported to the board and that led to the board asking Mr Stuart Ramsay to leave the board.

Q23 **Jesse Norman:** Can you furnish us a copy of that report, Lord Myners?

Lord Myners: I am not authorised, Mr Norman. I am just a non-executive director, but the Kroll report was produced about a week ago, and I imagine the Committee should write to the chairman if you would find that report helpful. It is certainly worth saying that these leaks have done considerable damage to the Co-op, and damage that has affected the security of the livelihood of 90,000 employees and members of the Co-op pension scheme. This has been a very serious matter.

Q24 **Jesse Norman:** Of course, it is ultimately the employees and the members who suffer from the malfeasance and misbehaviour of these people.

Lord Myners: Correct.

Jesse Norman: Mr Chairman, I would certainly like to ask you to request a copy of the Kroll report, if necessary.

Chair: We will consider it.

Q25 **Jesse Norman:** Before I finish, if I may, Lord Myners, I would like you to comment, if you would, on the treatment that you have had from the Co-op since you resigned or stepped down or failed to renew?

Lord Myners: Yes. I remember well the day I appeared before this Committee in connection with Fred Goodwin's pension, so I have a reasonably tough skin. For many people, Mr Norman, I have not been on the long march. I have not been a co-operator for 30 years. I was somebody from the outside and I am confronting them with some uncomfortable truths, and my language has been quite forthright because I believed I needed to speak, in upper case. I needed to be very explicit about the extent of the failure because, otherwise, nothing will be done. My fear about my report is that it will be duly noted at an AGM and then, as happened with the Gaitskell review in 1956, as Gaitskell said—he had a love of alliteration—"Dither, dither, dither". I fear the same could happen here, although I think the banks will force the Co-op to take further action to improve its financial health and hopefully its governance.

Chair: For the sake of those of us who think that mutual models and the Co-op have a lot to offer, it is a very sad story. Let us hope they do not "Dither, dither, dither".

Q26 **Mr Love:** Can I declare to the Committee my designation as a Labour Co-operative Member of Parliament? Lord Myners, talking about being explicit, who said this in response to your reform ideas, "Dumping elected directors for professionals and confining members to electing an ethics board might lead to an improvement in oversight, but it would turn the Co-op into a halfway PLC"?

Lord Myners: I have no idea.

Mr Love: I suspect you know who this is.

Lord Myners: I have no idea who it is, Mr Love. I am pretty confident it is not me.

Q27 **Mr Love:** It is in fact *The Financial Times* in an editorial on 10 April. How do you respond to that *Financial Times* editorial?

Lord Myners: *The Financial Times* had not seen my full report, Mr Love. They had seen a six-page summary that had been produced in a hurry by myself and Mr Paul Coombes, who is sitting behind me, who did absolutely excellent work in leading the team on the review. It was a summary of what we believed. I think *The Financial Times* will revisit that conclusion when they write on this subject with the full report issued. What I have proposed is a democratic, member-accountable, member-owned governance structure, placed in the hands of competent people.

Mr Love: Let me come to that.

Lord Myners: I have not created an ethics committee. I do not use the word at all. What I have proposed is an effective accountability mechanism.

Q28 **Mr Love:** Let me go on to another quote, "Buying governance at the price of one's unique selling proposition, i.e. democracy, would be an expensive trade indeed." Do you agree with that?

Lord Myners: Let us look at expensive trades. Remember that in the 1950s the Co-op had a market share in groceries of nearly 25%. It now has 5%. In the 1950s, Mr Love, the Co-op was paying an annual dividend, in current purchasing terms, of £1 billion a year. It is now paying no dividend. There is no prospect of paying any dividend in the future. It has debt levels, Mr Love, considerably higher than Tesco, Sainsbury's, Morrisons, and other retailers.

Mr Love: If I can interrupt you—

Lord Myners: Do you regard that—

Mr Love: If I can interrupt—

Lord Myners: Mr Love, do you regard that as a good economic trade?

Q29 **Mr Love:** If I can interrupt you for a second, what we are talking about is your failure to recognise the unique proposition that is represented by the Co-op. Let me go on. *The FT* accused your reform ideas of, "Abrogating democracy, being problematic". Would you agree with that?

Lord Myners: I do not think giving one member one vote is abrogating democracy. I do not know how you take votes in the Co-operative Party.

Mr Love: Let me—

Lord Myners: Can you let me answer my questions, Mr Love, please. That is the third time you have tried to stop me answering the questions. You are going through a list and can you please at least do me the courtesy of allowing me to answer your questions. My proposal, I believe, scores extremely well on any standard of democracy. Please challenge me, Mr Love, if you believe that that is not correct. I certainly believe it is superior to the model that previously stood in place; the model that supported making large donations to the Co-operative Party.

Q30 **Mr Love:** Let me challenge you with the conclusion that *The FT* reached in this article. It said, "It should be possible to achieve change while living within co-operative principles. Well-run co-ops balance the need for expertise and representation through board membership." How do you respond to that?

Lord Myners: I have responded to it in a whole chapter of the report, Mr Love, in which I pointed out that the sheer size and complexity of the Co-op makes it extremely difficult for lay members to be effective on the board of directors. I go on to say, as I said earlier, there is nothing in this report that is anti-co-operative and anti-mutual. I believe diversity of ownership is something that we should be encouraging and I do not want anything I say to be construed as being negative.

Mr Love, surely, this group has managed to lose, in the last four years—you talk about economic efficiency and economic output. Mr Love, this group has lost, in the last four years, half the capital it accumulated over 150 years. This was a board that included the Reverend Paul Flowers, who I believe was a member of the national executive committee of the Co-operative Party. Mr Wardle, the former chairman, was a member of the executive committee of the Co-operative Party. Is this, Mr Love, the economic model that you are advocating?

Mr Love: I am asking the questions, I am sorry.

Lord Myners: I just asked a question.

Q31 **Mr Love:** Let me ask you, would you accept that it is not only the, in your words, "traditionalists" of the local and regional committees of the Co-op Group but many, including, it would appear, *The Financial Times*, who do not subscribe to your recommendations?

Lord Myners: I have never used the term "traditionalist". That has been used in—

Mr Love: That is quoted directly.

Lord Myners: Pardon?

Mr Love: That is quoted somewhere—

Lord Myners: Really? Would you like to—

Mr Love: —in one of the press releases I received, and it was put in inverted commas. I withdraw the question.

Lord Myners: I was quoting somebody else.

Q32 **Mr Love:** You have castigated the local and regional committees, and that is your right, producing your report. Would you accept that the concerns that they express are more widespread than just confined to the Co-operative Group?

Lord Myners: No. I think the views that have been expressed by area committees and ordinary members have been very supportive of my recommendations. It is the insiders, the cabal that control the Co-overpayment, who have to confront the very awkward decision of whether they are willing to make a selfless sacrifice, give up their fees, and accept that the Co-op deserves better governance than it has enjoyed over the last four years. If there is no change, Mr Love, the Co-operative Group will continue into its decline in much smaller scale, as the banks force disposal of businesses and the Group continue to lose the benefit of scale. Those are the only choices facing the Co-op. Does it want to turn the corner and improve or does it want to continue in its decline, which has now been in place for over 50 years?

Q33 **Mr Love:** This is my final question. It has always been a cardinal principle of the co-operative movement to try to combine efficiency with democracy; good governance with democratic structures. Do you accept any criticism that you have been leaned far too heavily on governance and professional management and not recognised nearly as important the unique selling point of the co-operative movement and its democratic structures and, for that reason, and that reason alone, the very many good proposals that you are putting forward are placed in jeopardy?

Lord Myners: Mr Love, I think the co-operative model is a genuinely good model. There is a whole appendix, appendix 3 of my report, that details the circumstances in which co-operatives are likely to be most successful. It looks at international experience of co-operatives and mutuals in many different sectors, but there is nothing about being a co-operative that guarantees success. Co-operatives have to be well led. They need good management and they need empowered boards of directors, and that goes for the co-ops just as it does for any other form of business.

The core of my three recommendations, Mr Love, are precisely the points you make: competent and efficient management in the board of directors, held to account by a national members' council representing the grass roots; holding the management to co-operative values and principles; ensuring that that differentiation that you referred to is reflected in everything that it does; backed up by true democracy through one member one vote. Mr Love, you and I have far more in common on this than I think we have that separates us.

Q34 **Mr Love:** If I may say so, that is the shame of this whole venture; that the very many good things that have been recommended in your report are likely to be overlooked because of the focus and the concentration on only one aspect of a successful co-operative venture. It is that failure to recognise the inherent need to maintain co-operative principles, particularly its democratic structures, that has weakened the resolve of your report to bring about change in the Co-operative Group.

Lord Myners: I beg to differ. I think I have strengthened democracy and can point at multiple places where I have done that and, indeed, given the members even more power than somebody owning a single share in a PLC.

Q35 **John Mann:** When my direct ancestor, John Collier, one of the Rochdale Pioneers, helped form the Co-op, when my family worked for the Co-op over the last hundred years, were the same so-called democratic structures in place: area committees, regional and national committees?

Lord Myners: No, this is a very recent phenomenon. It is talked about, Mr Mann, as though it has always been this way. In fact, a majority of lay directors date from the merger of the CRS and the CWS, which I think was in 2000 or 2001. Prior to that, the board of the Co-operative Group had been made up of executives from the various retail societies and they had business experience. It is a very recent phenomenon and not the structure that Mr Collier would have recognised.

Q36 **John Mann:** When co-ops in the past expanded, is it not the case that the membership, such as my grandmother, who for 70 years only ever shopped at the Co-op, would have the opportunity, using their shareholding, to go and determine whether there should be such expansion?

Lord Myners: Yes, they would have had a vote and they would have been able to attend the annual general meeting and make their views clear. The removal of some of these core democratic principles, one man one vote and the ability to attend a member meeting, is quite a recent development and a seriously adverse and undemocratic development.

Q37 **John Mann:** Out of the 8 million shareholders in the Co-op in this country, how many voted for the Co-op Funeral Service to expand and start buying recklessly, in some people's eyes, a series of other funeral businesses? How many voted for the takeover of Somerfield and how many voted for the takeover of Britannia?

Lord Myners: Those would all have been determined by the board of the Co-op Group alone, Mr Mann; so 20 or so people.

Q38 **John Mann:** When Mr Norman described it as a political organisation, would not a better description of the Co-op be a committee organisation?

Lord Myners: I do not know how many committees there are, Mr Mann. There is a graph in my report showing the structure. Of course, this is another complicating factor, because people who sit on the Group board also sit on regional boards, area committees, values and principles committees, audit committees, remuneration committees, bank boards or the food board. Some of them are picking up as many as half a dozen fees from different roles that all come under the Co-op structure.

Q39 **John Mann:** I was about to come on to fees and I had something to say about the rest of the financial sector and the fees that are paid to people, but, within the Co-op, I was surprised to see a figure that the Rev. Flowers had been paid, around £750,000 for his time at the top. In your view, is there a problem that the representatives of the members, people like me, who somehow got into these positions somehow, are all too cosy in their positions and the cabal, as you describe it, is a cosy cabal with all the dangers of a self-fulfilling prophecy of the cabal looking after the cabal?

Lord Myners: Mr Mann, I think you are right. There is an issue about inequality of income and wealth distribution in British society and our failure to check the inexorable rise of executive pay. The Co-op has been affected by that as well, but nobody should work in the Co-op or devote their time to the Co-op for money alone. It should always be something where money is one of the factors, but it is not the principal factor. However, most of the regionally elected directors of the Co-op have been drawing down total income in excess of twice national average earnings for what are essentially part-time jobs. This is quite difficult to defend, certainly in the context of the value that they offer in exchange.

Q40 **John Mann:** When I spoke at the Co-op activist meeting in January, presumably, in fact, because I am a member of this Committee—it is about 400 Co-op activists—I warned that, in my view, if drastic action was not taken, the Co-op would not survive into the next decade. The first question I was asked was about the Co-op's policy on plastic bags. Was I being overly dramatic in suggesting there is a danger that the Co-op may not exist into the next decade if fundamental changes are not made?

Lord Myners: You have a reputation, Mr Mann, for never knowingly overstating your views and I think you were right to caution them about the need to take this situation very seriously. You cannot lose money on the scale that they have been losing money and have the level of debt that they have without bad things being forced on you. I am afraid that your story about plastic bags is true of the way the national board operates. We move from the macro of how we deal with billions of pounds of debt down to the size of pens in which chickens lay eggs. These are all important, but there does need to be a sense of priority and proportionality.

Q41 **John Mann:** A final question: should your proposals be put to a one-member one-vote ballot of Co-op operators across the country?

Lord Myners: Whether they should or not, the current constitution allows the decision essentially on my proposals to be made by about 100 people. As I have said, if you think of Wembley Football Stadium absolutely jam-packed and then just think of nine people sitting together, that is the proportion of the membership that have a vote on anything to do with a rule change.

Chairman, I know we are running short of time. Can I say something about the Co-op Bank, which I think we are partly linked to?

Chair: We are going to come to on to that.

Lord Myners: Thank you. I have a point I want to make.

Chair: We will be coming to it later on and possibly even right now.

Q42 **Mark Garnier:** Perhaps we can turn to the bank, Lord Myners. You painted an extraordinarily dismal picture of a group board that almost behaves like a superannuated parish council. On any sort of practical sense, how much involvement did the group board have in influencing the decisions of the bank?

Lord Myners: By the time I had arrived at the Co-op, the bank was about to become a subsidiary—through the liability management exercise, the debt was being converted into equity—but, in my various interviews with members of the boards and others, I would say that on many issues the board of the bank and the board of the group were indistinguishable. I think that Christopher Kelly was right in identifying that to understand what happened at the bank, you needed to understand what happened at the board, because the board control the bank. It controlled most of the seats on the bank's board for a long period of time and the reckless decision to acquire Britannia was very much a group board decision rather than simply a bank board decision.

Q43 **Mark Garnier:** That is quite an important point. There is a couple of things I would quite like to explore with that and the first is the role of the regulator. The regulator, as you know, spends a great deal of time looking at significant-influence people within an organisation, particularly major shareholders who controlled, in that case then, 100% of the bank. Do you think the regulator has failed on this by not picking this point up before?

Lord Myners: I do not think the regulators gave sufficient attention to the Co-op Group. They focused on the board of the Co-operative Bank and Co-operative Financial Services and I think, if they had familiarised themselves with the group board, they probably would have become much more nervous about the Co-op Bank.

Q44 **Mark Garnier:** Should they not have familiarised themselves with the board, the one significant controlling influence over the bank?

Lord Myners: I think they should have done. One of the points I wanted to raise was the Chairman of your Committee wrote to the Chancellor on 26 March. He replied on 3 April and he volunteered an issue of dispute between the Treasury and the FSA as to whether the Co-op Group should be judged to be a financial holding company under the Banking Consolidation Directive. In this letter, we are told that the FSA believed that it should be treated as a consolidatable group and the Treasury did not agree with that. The consequences of it being treated as a—

Q45 **Mark Garnier:** What date was that decision made?

Lord Myners: The Chancellor is referring to March 2012. The effect of the Treasury's position that the Co-op would not be, if it acquired the Verde branches, a financial holding company is that the competence of the board of directors of Co-op Group would have fallen outside the regulatory purview. I think, if they had gone ahead with Verde, the Co-op would have changed from being a primary grocery business with funerals and pharmacies and a bank to have become primarily a bank with groceries, funerals and pharmacy. In that context, I believe it would have been right for the whole group to have been regulated as a financial holding company. If the FSA had stuck to its line on that and not been dissuaded, as this letter implies, by the Treasury, I think the lamentable shortcomings of the Co-op Group board would have become known to the regulators.

Q46 **Chair:** Is that what you meant when you said earlier today, I think it was, on the radio that Government and the regulators also have a lot to answer for?

Lord Myners: This is a quite specific point. I understand, for instance, why Tesco is not regulated as a financial holding company, because its bank is quite small in the context of the totality of Tesco. I find it astonishing that Project Verde was even encouraged because this board of directors, as I describe it, could not possibly have been placed in control of 8% of the British banking market, nor would it necessarily have been advisable, given its balance sheet, for it to do so because remember, Committee members, that a conventional PLC can always turn to its shareholders for a rights issue and can always raise more capital. A mutual cannot do that and, therefore, a mutual has to be run very conservatively. Therefore, it was a folly in the extreme for the Co-op even to contemplate acquiring those branches and I do find it surprising that the Treasury encouraged it.

Q47 **Mark Garnier:** They allegedly encouraged it.

Lord Myners: Sorry?

Mark Garnier: We have had some quite interesting evidence from Paul Flowers, who came in, who was rather dismissive about the fact that there was any Treasury intervention, when he was in your seat now, at the time of the Verde transaction. It was only subsequently that he changed his story when he went on *Newsnight* with Jeremy Paxman. Just to make the point, he had completely changed his story beyond any recognition from when he was seeing us to when he saw Jeremy Paxman.

Chair: As he did on a number of other issues during the course of the hearing.

Mark Garnier: Absolutely. His evidence was very, very unsatisfactory on those points and to somebody he was lying.

Lord Myners: I have never met the Rev. Paul Flowers. My only contact with him has been watching him in front of your Committee and outside courts of law.

Q48 **Mark Garnier:** But I make the point because it is important that there is no definitive proof that there was intervention from the Treasury.

Lord Myners: I believe the Chairman wrote to the Chancellor on 9 April asking for more details of the contact that Mr Hoban and Mr Clarke had with a variety of the performers on this particular stage. I asked circa 40 questions in the other place about the Co-op Group, including about the extent of ministerial involvement, but I believe this letter suggests that the Treasury took a view that the Co-op Group would be a good owner of a large systemically important bank. I simply find it inconceivable that anybody who has seen what I have seen would reach that conclusion.

Q49 **Mark Garnier:** What about the Britannia merger? Clearly it is smaller and I take your point about the dynamic being reversed on the Co-operative Group, where it becomes predominantly a bank with the Verde transaction, but, nonetheless, the Britannia merger was quite a significant one.

Lord Myners: I have read Sir Christopher Kelly's report and the evidence that has been given to this Committee by various parties. I think that Britannia Building Society was in a very weak state. I find it extraordinary—

Q50 **Mark Garnier:** But I am asking the question in the context of the group board, which is what you have been looking at. I think Kelly suggests that the group board was influencing the transaction through the bank to take over Britannia. Did you see evidence of influence?

Lord Myners: Yes. No, what I have is hearsay. I have interviewed, or my colleagues have interviewed, all members of the board and we asked them about various transactions in the past, but I think all the evidence I have heard would suggest that the Britannia acquisition, which was a hugely value-destructive acquisition, without proper due diligence, was driven by a very small number of people.

Q51 **Chair:** Were you a Minister at that time?

Lord Myners: I was a Minister at that time and I have taken advantage of the opportunity—

Q52 **Chair:** You could have taken a look at that deal, had you chosen, in much the same way as you are suggesting the Government should have taken a look at the Verde deal.

Lord Myners: Last Friday, I visited the Treasury and read my files. I only apparently had one meeting with the Co-op Bank and that was about the fund for unclaimed deposits. Remember, Chairman, that when I was a Minister, we were in the heart of the storm about the collapse of the banking sector and the Co-op, at that stage, was not seen as a systemically important institution, but the FSA's view was that the Britannia was a weak organisation.

Q53 **Mark Garnier:** Did the group board strike you as impressionable?

Lord Myners: I am sorry, my hearing is—

Mark Garnier: Did it strike you as being impressionable?

Lord Myners: I think strong personalities dominate on the board and, yes, the board that I see is impressionable. There are four or five people who are very dominant still on the board.

Q54 **Mark Garnier:** Paul Flowers was a—

Lord Myners: Paul Flowers had left the board by the time that I—

Mark Garnier: But he was the vice deputy chairman, was he not, during the Britannia merger?

Lord Myners: Yes.

Q55 **Mark Garnier:** He struck me as certainly somebody who would respond to flattery.

Lord Myners: I have yet to meet anybody who doesn't.

Q56 **Mark Garnier:** This is an important point. I am taking your point that you made a little bit earlier about the Verde transaction back to the Britannia transaction. You have obviously looked through your files to see how many meetings you have personally had with the Co-op during the time when you were a Minister, but there were very close links at the time with the then Government. We know that the Co-op Bank lent money to the Labour Party. That relationship has now broken down, as we heard last week. What I am interested in is, clearly with close relationships between the Government at the time and the group and the bank, would individuals on this incredibly inadequate, unprofessional board have been impressionable, to have met people in the Government unofficially at party conferences and at various meetings, and persuaded that taking over Britannia was a good thing at the time?

Lord Myners: I think that is sheer speculation.

Q57 **Mark Garnier:** No more so sheer speculation than the involvement of the current Government in terms of the Verde transaction.

Lord Myners: No, I think the—

Mark Garnier: It is not more speculation?

Lord Myners: No, I think the Chancellor has already told the Committee that his Ministers were involved in facilitating the Verde transaction and, indeed, when it was announced in principle I believe the Chancellor welcomed that outcome, but I am not making a party political point, Mr Garnier. I do not want to do that. On the issue of political donations, for instance, in my report I say if you are a shareholder in a public company, you get the right to vote on—

Mark Garnier: I think the important point—

Lord Myners: You get the right to vote on political donations, but at the Co-op you do not get the right to vote.

Chair: We are going to move on, if we may: Pat McFadden and then David Ruffley. We are going to have a vote in just over 20 minutes, so I hope we can get at least those two colleagues in before the vote.

Q58 **Mr McFadden:** I do not want to spend much time on this but, going back to the letter that you quoted from the Chancellor, why do you think the Treasury took the view that the Co-op Group as a whole should not be designated as a—

Lord Myners: The letter does not explain that, Mr McFadden. The letter states that it is a matter for the Treasury to interpret European directives and they reached that conclusion, but I believe that it is an issue of proportionality. That is why I find it odd that the Treasury concluded, particularly given the mutual ownership and the absence of fall-back capital, that they would not wish to see the whole of the Co-op Group regulated, as opposed to this artifice that CFS was an independent group and all decisions were made there because, quite clearly, there were a lot of decisions that were taken in the overlapping area. The Venn diagram of the group board in CFS and the bank involved a lot of overlap. For instance, one of the current directors, Mr Ben Reid, was chairman of the audit committee of the bank for the last three years. I find it astonishing that Mr Reid still sits on the board, but what you get here is obfuscation between the roles of the group board, the role of financial services and the role of the bank board.

Q59 **Mr McFadden:** I want to ask you another couple of things about the bank and value destruction. You said in response to Andy Love, and in an interview this morning and it is in your report as well, that half the value of the group as a whole has gone in the last few years. The Committee has been through the story of the bank in some detail with Britannia, IT projects, Verde and other parts of what they did that made up the £1.5 billion shortfall there. Where have the other losses come from, the other £2 billion or so?

Lord Myners: Underperformance of the business; the need to make provisions, as you say, against IT projects that were provided for against the balance sheet but the largest part of which was expense through the profit and loss account and, therefore, not visible to the naked eye; the 700 unused retail properties—one group director said to me, "We are not in a problem. We have 700 shops we can sell, 700 properties that we can dispose of to pay our debts". I said, "No, we do not own those 700 shops. We have leases on them and those leases are described as onerous because they are above market rates. These are properties that nobody wants at the rent we are paying. It is actually a liability, not an asset". Provisions had to be made against that. Over-distribution was another problem—the Co-op for many years paid higher dividends than it should have done. A multiplicity of factors have come together to undermine and destroy value.

I think it is worth going back quite a long way, Mr McFadden, but in the 1950s the Co-op, had it been a listed company, would, in my judgment, have had a market value greater than the combined value then of Sainsbury's, Tesco, Morrisons and Asda. It was a very substantial force. It was paying dividends of £1 billion per annum in current monetary terms. It is value destruction year by year over a very long period of time and there is only one division of the Co-op at the moment that is covering its cost of capital, the funerals division. The other divisions are all just about at their cost of capital, but they are certainly not creating value on a day-by-day basis.

Q60 **Mr McFadden:** Your report has concentrated on governance reforms. Was it beyond your remit to consider whether the Co-op should be in banking at all and did you consider recommending that they get out of, if not financial services because they have the insurance side of it, banking and go back to what in a sense the Co-op is better known for, which has been a retail business, a funerals business and a pharmaceutical business?

Lord Myners: It was beyond my remit, but I believe that the absence of focus in the Co-op Group has been a contributory factor in its problems. It is a much more focused group now because it has had to sell businesses in order to manage its debt, but the bank is now a 30% or less owned asset. It is no longer at the heart of the Co-op and I do not think that anybody in the Co-op is about to say, "We need to re-establish a new presence in banking". The mission of the Co-op around the Rochdale principles, which Mr Norman has quoted and Mr Mann referred to, is about meeting unmet need. When the Rochdale Pioneers were at their most active there was a lot of unmet need and abuse of customers. It is harder to identify areas of unmet need now and banking does not appear to be one of those areas that calls out for new capital.

Q61 **Mr McFadden:** I suppose my final question would be a variant of this. The term "baby and bathwater" has been used a lot around this and maybe this is a bit of a baby and bathwater question. We have heard, on this Committee over a number of months, the sorry saga of the Co-op Bank's troubles and ultimate collapse. You have said that you are a believer in the idea of mutualism and the value it has to offer. We will be writing a report on this entire Co-op Bank story. I would like your views on this. Is this a story of the specific set of problems of the Co-op Group and would it be wrong for us to conclude that there was somehow an incompatibility between the mutual model and today's complex financial services world?

Lord Myners: No, I hope we will see more mutuals and I hope we will see that in financial services and in other areas. It is a wonderful model for energising people and drawing people together around a common purpose. The issues here are quite specific to the size and complexity of the Co-op, then exacerbated by decisions that were being made and the debt being built up and the fact that debt was used to buy businesses that were close to worthless. It just contributed to a spiral of decline, but I do want to be very clear: I am an enthusiastic supporter of the concept of co-operation and mutuality.

Q62 **Chair:** I found it curious, Lord Myners, that you suggested that banking is not an area in which there is unmet need. We have seen a good deal of that and so did the Banking Commission: the lack of competition for straightforward provision of current accounts and some financial exclusion as well. It may be true that the unmet need that you were describing in retailing generally, groceries or whatever, was in evidence but are you sure about that conclusion you have drawn?

Lord Myners: We are opening a whole new area and I know you do not intend to go far with this, with respect, Chairman. I pondered for years about some of the issues in banking, as to whether it is inadequate supply or inadequate demand in banking terms. I think there is a strong need for ethical banking. There is a strong need for technology-enabled banking. I do not think there is a great need for further bricks-and-mortar branch banking. I think there is a different style of banking that would address a need, but I also think there is a problem, Chairman. It is very difficult to envisage, with current regulation, a banking model that can produce much more in return than the cost of capital, and if that is the case, banks are unlikely to trade at a premium to book value in the future. There are economic reasons why people would probably not be terribly attracted by putting money into a traditional bank.

Q63 **Mr Ruffley:** Has the reduction of the group's shareholding to 30%, in your view, so far as you can tell, reduced the baleful influence of the group board on the bank?

Lord Myners: I did not give the bank a great deal of attention. When I realised there was this huge problem at the centre I focused on that, but I believe the group only has one seat on the board of the bank and I think it is treating the bank as a portfolio investment rather than an integral part of the business. I think the bank board now, in Richard Pym, has an excellent and experienced chairman and, in the time I have been on the Co-op board, the bank has been barely mentioned.

Q64 **Mr Ruffley:** In reply to one of Mr Love's questions, you drew attention, I think, twice to the political donation to the Co-op Party. What did you uncover in terms of the democratic scrutiny of political donations? Was that something that interested you?

Lord Myners: There are two observations I made in this area, Mr Ruffley; first that public companies are required to put political donations to their shareholders for approval. That is not required in the Co-op. There is no mechanism by which the members are asked whether they want to do this.

Secondly, the whole issue of support for affiliated bodies, of which the Co-operative Party is one, seems to me, first, to inevitably have to be affected by the cut-backs. The Co-op now has to give absolute priority to improving efficiency and reducing debt. That means it is going to have to reduce the amount of money it gives to affiliated bodies, including the Co-operative Party. I was not convinced that the quality of control of the giving of money to community causes and other programmes was subject to close enough scrutiny, proper documentation and proper management of conflicts of interest. Therefore, I have recommended that a firm of accountants audit this whole area and PwC have been appointed to do that. It fell within my ambit to say, "This looks as though it needs attention", and that attention has now been given to the subject. I have asked again that the PwC report be made, in summary form at least, to the whole membership rather than just kept within the boardroom because the Co-op needs to more open and transparent.

Q65 **Mr Ruffley:** You have a reputation of being a very serious City professional as well as a very serious Treasury Minister in the last Parliament, so your review does need to be taken seriously. In terms of implementing the major recommendations here in the next few months or years, do you think the regulator has any power to make any statements to ensure that these key recommendations are taken on board? In short, who is going to help the current group board towards accepting these proposals?

Lord Myners: The regulatory oversight of the group is quite limited. The FCA has been given additional powers by Parliament, but has yet to fully exercise those.

Q66 **Mr Ruffley:** Why is that?

Lord Myners: They are very new. I think these powers may have only come into effect last month, but I think there is a public policy question here if you have 8 million members, which is a massive number of people, who somehow do not have any influence or control or direct control over the group that they own. Regulators look closely at regulated financial services business, but the carapace at the top of the Co-op, the group, is largely outside regulatory oversight. The FCA could appoint the equivalent of what I used to know when I was a younger man as DTI inspectors, but I think the one thing the Co-op does not need is another inspection. What the Co-op needs to do is to say, "We are going to put this behind us. We are going to sort things out. We are going to become a strong group of which Mr Love and everybody else can be terribly proud in the future". I think that is a realisable goal, Mr Ruffley, providing they take the right decisions.

Q67 **Mr Ruffley:** On the point about the regulator, if there is not a consensus among the current group board that the key recommendations should be adopted, suppose they do not come to this conclusion themselves, what specifically would you like the regulator to do and what do you understand the regulator could do in terms of exercising these relatively new powers it has?

Lord Myners: I think the regulators could appoint an inspector to look at the conduct of the group and its board of directors and its general management. I think it would be very sad if that was required. We already have an FCA, a PRA, an FRC, a TSC and various other reports. I do not think they are going to disclose anything that has not been disclosed already. I think it would be a distraction for the Co-op and a huge cost and undesirable for those reasons, but if the Co-op simply rejected any need for change, I think that the regulator could not ignore that, any more than the banks would ignore that, and that it is the dilemma facing the Co-op; that if you do not accept the need for change, it will be forced on you in any case.

Q68 **Mr Ruffley:** I just want to be absolutely clear about the nature of the action the regulator could take. There is, in old money, the DTI inspection function, but that is not the same as enforcing corporate governance reform—

Lord Myners: No.

Mr Ruffley: —which is what we are mainly interested in here. Just so I am absolutely clear about this, what do you believe the regulator could do to drive the implementation of the Government's changes?

Lord Myners: Other than derecognising the Co-op as a co-operative. That is the nuclear option. I think the regulator would make recommendations, but I do not think there is any power in law to remove—well, they can remove directors for wilful malfeasance and negligence and so on.

Q69 **Mr Ruffley:** It is a very high threshold.

Lord Myners: It is a very high test and it should be unnecessary. The Co-op should want to reform itself. My report is very detailed. I give them a transition plan, an implementation plan, a timetable. They should just decide next week, "We are going to change. This is the way we are going to change. We are going to fix the problems and rebuild our great name". I would be extraordinarily content with the outcome of the work if the Co-op was to make that decision, but a doctor prescribes to the patient and, as the patient goes out the door, I guess the doctor just has to say, "Well, I do not know whether they are going to change their diet", and so on. I have done all that I can do, Mr Ruffley. My powers are now exhausted as far as the Co-op is concerned.

Q70 **Chair:** Just to be clear, did I take it that you are advocating that the political donations be subject to a vote of the whole membership and that, therefore, the current practice be brought to an end?

Lord Myners: The current practice would either be approved or disapproved. It is conceivable the membership might want to increase their donation.

Q71 **Chair:** No, the current practice of decision-making process.

Lord Myners: Yes. It is deeply flawed. It is undemocratic.

Q72 **Chair:** Secondly, am I right in hearing what you said a moment ago in saying that you thought there were conflicts of interest inherent in the process by which voluntary donations are made?

Lord Myners: Many of the organisations who receive donations are described as affiliated bodies and people who sit on the group board may be trustees of those affiliated bodies and charities, so they are giving other people's money from one hand to another hand. I pointed out that a number of the members of the Co-op Group board are members of the National Executive Committee of the Co-operative Party, to which the Co-op Group has made significant donations. There are independent directors who sit around the group board who run stores within a few hundred yards of a Co-operative Group store. It is a tangled knot of conflicts of interest at every point in the Co-op that needs to be cut through and replaced by a new, clearer set of standards.

That is why, for instance, Chairman, I am recommending that the independent societies should no longer sit on the board of the National Co-operative Group, because they compete in certain respects with the National Co-operative Group. They cannot sit there talking about pricing, about line promotion or about new store opening when they have a competitor sitting around the table hearing the discussion.

Chair: John Thurso. I regret to say that there might be a vote in a moment.

John Thurso: If you let me get a quick question in we might be able to get a quick answer.

Chair: We may have to call you back.

Q73 **John Thurso:** I wanted to follow up on Pat McFadden's questions and I will try and be very quick by making some statements you can agree with, hopefully. The point is that the Co-op is a model of a mutual, not a particularly—and I found your history fascinating. Nothing in your report says that mutuals, per se, are wrong. It says it is wrong for this particular organisation. Is that correct?

Lord Myners: Correct.

Q74 **John Thurso:** The Co-op now has moved back to being a retail organisation that happens to have an investment in a bank, rather than a bank that happens to have some retail organisations.

Lord Myners: Yes.

Q75 **John Thurso:** Is there any read-across from your findings that say mutuality is more difficult in finance and banking than it is in retail?

Lord Myners: No. In fact, I would draw your attention to appendix 3 of my report, which is written by Mr Coombes, which sets out the circumstances in which mutuals work well. Mr Coombes identifies certain aspects of financial services, including life assurance, as being particularly appropriate for a mutual model.

Q76 **John Thurso:** We can conclude our judgment on the model of the Co-op and we can conclude other judgments on the models of mutuality than can work in finance?

Lord Myners: Yes.

John Thurso: Thank you. That is my questioning.

Chair: Thank you very much for coming to give evidence this afternoon.

Lord Myners: Thank you, Chairman.

Chair: I did not know whether we would manage that before the Division, but we have. We will now adjourn for 15 minutes and go into private session. Thank you very much indeed.

Lord Myners: Thank you, sir. Thank you very much.