HOUSE OF COMMONS

Treasury Committee

Oral evidence: The work of the Court of the Bank of England, HC 1068

Tuesday 7 March 2017

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Watch the meeting

Members present: Mr Andrew Tyrie (Chair); Mr Steve Baker; Helen Goodman; George Kerevan; Kit Malthouse; John Mann; Mr Jacob Rees-Mogg.

Questions 1–277

Witnesses

I: Anthony Habgood, Chairman of the Court, Bank of England; Bradley Fried, Deputy Chairman of the Court, Bank of England.

Examination of witnesses

Witnesses: Anthony Habgood and Bradley Fried.

Q1 **Chair:** Thank you for coming to see us this morning. We were going to have a fairly wide-ranging canter around the responsibilities that the Court has been undertaking over the past year or two since you last saw us, but that has been somewhat superseded by the receipt of a letter from Charlotte Hogg, the newly appointed Deputy Governor, with respect to her declaration of potential conflicts of interest. This has now been put in the public domain and I would be grateful if you could just begin by saying what your overall assessment is of this business, Mr Habgood, as Chair of Court responsible for compliance.

Anthony Habgood: Thank you very much for asking us in. It was a huge disappointment to me when I listened to the hearing to hear that when she said she was fully compliant with the code.

Q2 **Chair:** Sorry, did you already know that she was? I am sorry to interrupt so early on. Did you already know that she was not fully compliant?

Anthony Habgood: No, I did not. No, I did not. I heard her say she was fully compliant with the code. My reaction to that was, "We better make sure that is right". We checked whether or not she had disclosed her brother as a relationship and she had omitted to.

Chair: We are talking about her brother's job at Barclays.

Anthony Habgood: Her brother's job at Barclays. There is a conflict bit and there is a relations bit. You have to submit everyone with whom you have a relationship by the code, which can lead to an awful lot of people, depending on how you define relationship. A brother clearly is included in that. When she joined in 2013 she clearly did not—there is no note on the record that she declared that. I was not there. She may have said to the chairman, but there was no note on the system that she had complied. As far as I can tell, that was an honest mistake.

She joined as Chief Operating Officer, and as Chief Operating Officer there was no conflict there. There could be the perception of the possibility of a conflict because she had a brother in a regulated firm. Whether there was or not, she was obliged to declare that and she did not declare it. It was just an honest mistake that she made in not declaring that then.

That gets trickier with the next job, because as Deputy Governor of Markets and Banking she clearly is going to sit on the committees with the newly formed PRC, in particular, and for that such a relationship unambiguously should be declared for obvious reasons, as opposed to should have been declared because of the code rather than for other reasons.

We were very concerned to find that. We had various conversations about it. I do not think she realised herself. In fact, I am sure she did not realise herself that she had not declared that relationship four years ago. When she saw that, she said, "What do I do?", and everyone said, "The best thing to do is just to straightforwardly write to the Committee and say you are very sorry; you made a mistake".

Q3 **Chair:** Just to be clear, you came to her and said, "Do you realise you are not compliant?"

Anthony Habgood: As to what exact order that was in, I am not sure, but certainly I was concerned about it. She, I am sure, was concerned about is as soon as we asked the company secretary to look into the records.

Q4 **Chair:** The reason I am asking is you just said a moment ago she did not realise herself.

Anthony Habgood: I do not think she had realised. When she applied for the job, I do not think she realised that she had not complied in the system. But obviously I do not know that. She knows that.

Q5 **Chair:** Okay. When you approached her and said, "What about this compliance issue?", did she realise it at that time?

Anthony Habgood: She did.

Q6 **Chair:** Okay. How did she come to realise it at that time?

Anthony Habgood: I think she just did not consider that her brother's role was important enough to create a conflict.

Q7 **Chair:** Yes, I understand that. I am just trying to get the sequence. By what means did she discover that she was not compliant after that hearing?

Anthony Habgood: I am not 100% sure of that, but when we raised it with the company secretary he would have raised it with her.

Q8 **Chair:** I am just trying to clarify this. As far as you are aware, the sequence is that as soon as you watched that hearing—tell me if I am in any way getting this incorrect—you said, "We better check that with the company secretary".

Anthony Habgood: I spoke to Brad straight away after the hearing.

Chair: Between you, you concluded that you needed to check this with the company secretary.

Anthony Habgood: Yes, just to make sure it was right, because it sounded a little awkward.

Q9 **Chair:** Because it sounded a little awkward. What happened next? Somebody then told Charlotte Hogg.

Anthony Habgood: The company secretary checked through the records.

Chair: And discovered that it was not correct.

Anthony Habgood: He discovered that it was not on there. I then spoke to Charlotte directly. She already knew by then, but I had a meeting with her on I think the Thursday morning or something like that.

Q10 **Chair:** Her letter to us says that she checked, but I do not think she did, did she? "Following my hearing, I checked the Bank's records".

Anthony Habgood: She may well have in parallel. I would not be at all surprised at that. She could easily have done that in parallel. In fact, if I was her I probably would have. I spoke to her as well on that Tuesday afternoon. Was the hearing on Tuesday? I think it was.

Q11 **Chair:** I know, but that is what I am trying to clarify. I will just have one more go. Did she find out about this via you or the company secretary or did she initiate the need to check this?

Anthony Habgood: I cannot say hand on heart what the answer to that is. My guess is she was uneasy about it. My guess is she would have checked as well and the Bank checked. We are not isolated. There would have been conversations going to and fro.

Q12 **Chair:** You have said that you are very concerned to find this. Why are you very concerned? Could you just elaborate a bit more for people who perhaps do not follow these things so closely on the potential for a perception of conflict between what the PRC does, a board of which she has now become a senior member, and Barclays Bank? Can you just describe what that perception of conflict consists of?

Anthony Habgood: Sure. The PRC is concerned with microprudential regulation, which means it is concerned with the major banks more than anybody else. It is also concerned with starter banks and all the insurance industry as well, but the big banks are a major regulatory focus of the PRC. Therefore, people who are involved with those banks are potentially in conflict.

Q13 **Chair:** Therefore, a perception of a conflict is quite feasible.

Anthony Habgood: A perception of a conflict is feasible there, yes. The reality of a conflict is slightly different. This is a relationship, which is why we try to specify these relationships, because a relationship can cause the perception of a conflict.

Q14 **Chair:** The reason I ask this question is that in the letter you are effectively quoted as saying that, "Both the secretary and the chair"—that is you—"acknowledge that no actual or potential conflict has arisen to date in relation to any decisions taken in my role and that the perception of a conflict would have been most unlikely".

Anthony Habgood: That is looking backwards. That is looking backwards to the COO role.

Q15 **Chair:** You now think that a perception of a conflict is likely.

Anthony Habgood: Looking forward, the perception of a conflict is much more likely. This becomes a real issue to my mind. By saying that, if I am not careful I am denigrating the fact that she did not disclose, which she should have, which is an issue in itself.

Chair: Perhaps that should be my last question to you before I ask a question of Bradley Fried. When you say this becomes a real issue, of course it becomes, I think we have both agreed, a much more serious issue.

Anthony Habgood: A much more serious issue—yes.

Q16 **Chair:** But from the point of view of Bank staff, if we want Bank staff to be compliant with these rules, is it not essential that the most senior people in the Bank are compliant and are seen to be compliant? This is after all somebody of Deputy Governor status who was already Chief Operating Officer prior to these appointments. Therefore while there might have been no clear likelihood of a conflict, still the importance of avoiding a substantial breach over a run of years—and we are talking about several years—is very significant in signalling how the Bank approaches its compliance work. Would you agree with that?

Anthony Habgood: I absolutely would agree with that, yes. It is a very serious breach. The point I was trying to make was it moves from a compliance issue, which is very serious but is a compliance issue, to a perception-of-conflict issue, which is also very serious but of a different nature.

Q17 **Chair:** It is of a more serious nature still, judging by what you said at the beginning. Is that correct or not?

Anthony Habgood: Yes.

Q18 **Chair:** I only have one question for you, Mr Fried, although both of you have very extensive private sector experience. Indeed, that is why you were appointed in a sense, because ultimately this Committee took the view that the Court needed to be beefed up with private sector experience and needed to be something much more akin to a proper board capable of performing governance functions. That is why you exist on the Court now with your current powers and responsibilities. You have worked extensively in a bank. You were chief executive officer of a sizeable bank, Investec, for a considerable period.

Bradley Fried: That is correct.

Q19 **Chair:** You have held other very senior positions in that bank. How in the private sector would a bank in the regulated community react to the discovery of something like this among one of its most senior employees?

That is the first question.

Bradley Fried: The breach of a compliance matter in a regulated institution is taken very seriously at the highest level of institutions. The starting point is to consider the matter immediately. They are considered on a case-by-case basis. Any serious institution would take a proportionate approach to breaches and they would consider all circumstances in thinking about any compliance breach. The starting point was, and remains, was the breach deliberate or inadvertent? That is the starting point and is a key question. The second is: was the breach an administrative breach or was it something more substantial? The third would be to take account of the track record of the person having committed that breach.

Chair: That is the mitigation.

Bradley Fried: I do not want to get to mitigation yet, because in fact this could be the point of inquiry and everything would be laid out in a very fact-based way. We will get to the mitigation later. I suspect, Chairman, you are not yet asking about the mitigation. I would like to concentrate on the process.

Chair: Just keep going. We have got the wilfulness, whether it is administrative and the track record.

Bradley Fried: There is administrative and track record. The fourth one is a very crucial issue. As you would expect, all stakeholders would be mindful of the question about whether any individual profited as a result of the breach. Clearly, as you can imagine, in a regulated bank thinking about issues of market abuse, insider trading and so on and so forth, those would be critical issues. That was the framework. You asked about the framework we followed as an institution. That was the framework that we followed as an institution.

I should also say for the sake of completeness that we expected our most senior people to lead by example and to encourage compliance by those that they managed. The seniority of the managers or any of the people breaching anything would also clearly be a consideration.

Q20 **Chair:** What do you expect would have happened in a case like this internally before the regulator was ever involved? In the absence of any regulatory involvement, what would have happened in a well-run bank?

Bradley Fried: Should I apply that framework to this case or would you like to me to be more general for the moment?

Q21 **Chair:** Let us suppose it is not wilful, that the track record is exemplary and no money was made. Administration is a difficult term.

Bradley Fried: I think it is something more substantial than administration—actually probably not for the period 2013 up until the period for which I applied for deputy governorship. I would probably have differentiated between those two periods. In the first period as Chief Operating Officer, I would have regarded the lack of disclosure as more of an unwilful act of omission. The question of commission/omission is clearly very important. As an unwilful act of omission, it remains an unwilful act of omission, but the point at which the application went in for deputy governorship should have been potentially a point of rethinking all disclosures.

What would have happened in a bank? I will answer with the benefit of a couple of seconds of forethought, but I would say the following: if it had been a senior person, the senior person would have had a discussion with their line manager. In my case it would have been the chairman of the institution. If it had been any other executive, it would have been with me. If it had been one of my direct reports, I would have been grumpy about it. I would have been grumpy about the idea that it had not been thought through and that we were in that position. My reaction would have stopped at grumpiness because of all the other factors. I do not think it would have been extended to a written warning. It would have been a verbal warning. It would have been a point of grumpiness.

Q22 **Chair:** There would have been nothing on his or her record.

Bradley Fried: It could have been on a file, but it would not have escalated into an HR written warning.

Q23 **Chair:** It would have gone on the file, but it would not have been a formal written warning. Just to be clear, in a bank a formal written warning is notifiable to the regulator. Correct?

Bradley Fried: Correct.

Chair: That is the distinction between those two things.

Bradley Fried: If it had been me and I had committed that, I would have expected the chairman to have raised it with the board and it would have probably been board minuted that a stern discussion had been had with me.

Q24 **Chair:** How would you expect the regulator coming in, having a look at this, to have reacted?

Bradley Fried: I would be most surprised if a proportionate regulator did not apply substantially the same framework that I have just discussed to this topic. They would have applied substantially the same framework.

Q25 **Chair:** What we are saying is it is something that merits a note on a file, but it is not a hanging offence.

Bradley Fried: I definitely do not believe it is a hanging offence. It is terribly unfortunate, and clearly in the context of this it is very unfortunate. It warrants grumpiness and it warrants a discussion about what it really means for the optics of it all, but it is not a hanging offence, no.

Q26 **Chair:** While you are discussing this issue with the staffer grumpily, as you have put it—while you are giving them a ticking off and putting a note on their file—how would you feel about promoting them to the second most senior position in the bank at the same time?

Bradley Fried: I really do not believe, Chairman, that is a linear question and warrants a linear answer—A goes to B. It is a factor, but to make it more general without becoming specific, I would say, "Is this person really suited to the role?" That would be the fundamental question. The fundamental question would be, "Do they have an exemplary track record on all other matters? Are they distinctive in pretty much everything that they do? Do they have a followership? Do they have a terrific mind for this? Will they have impact in their role?" If the answer to all those questions is yes, and I do believe in Charlotte's case that the answer is yes, I would look at this issue, which is most unfortunate, in the context of that and conclude within the context.

Q27 **Chair:** Okay. That sits slightly oddly with your suggestion that this person should lead by example, bearing in mind that the chief compliance officer answers directly to the chief operating officer normally in a bank.

Bradley Fried: They should. You ask about private sector experience. In the spirit of absolute candour, I would say I do not think I have encountered a distinctive chief executive or chairman or very senior executive that has not had similar ups and downs in their careers, where there may have been oversights or may have been issues. I simply have not encountered such people.

Chair: That is very helpful.

Q28 **Helen Goodman:** Mr Habgood, you were saying that you thought there might be a perception problem up to the point at which Ms Hogg applied to be Deputy Governor but not an actual conflict for her role as Chief Operating Officer. As Chief Operating Officer she has attended the Court, hasn't she?

Anthony Habgood: She has, yes.

Q29 **Helen Goodman:** The Court has regular discussions and updates on the work of the PRA, doesn't it?

Anthony Habgood: It does.

Q30 **Helen Goodman:** Can you rule out that any commercially sensitive regulatory information may have been disclosed at those meetings?

Anthony Habgood: No, I could not rule that out.

Q31 **Helen Goodman:** Does that not cast some question mark over your neat and tidy distinction between what has happened up until now and the potential for conflicts as Deputy Governor?

Anthony Habgood: I was not trying to make it a neat and tidy distinction. I was trying to say that I did not think there was a real conflict. I thought that you had to go quite a long way to find a perception of conflict in the Chief Operating Officer role, because she was not involved in policy decisions, and it is the policy decisions taken in the now PRC that she would not have been involved in the making of.

Does that mean that in an ideal world that would have been disclosed? Yes. If it had been disclosed, would our behaviour have changed in Court? I do not think so. My guess is she would not have been excluded from those discussions. What will happen now, which is entirely in compliance with the codes, is that the PRC at its first meeting will decide whether or not there are any real conflicts here, and then decide whether or not there are any parts of the PRC debates from which she should be recused. The same will go for the FPC. That is how the process works.

Q32 **Helen Goodman:** Mr Habgood, you just said there that you do not think that any decisions would have been different, but it is presumably possible that she was privy to information on the assumption that she had no conflicts of interest, whereas what we have discovered in the letter of 2 March is that she may have had.

Anthony Habgood: With respect, I have not said I think she has conflicts of interest. I think she has a relationship that is reportable, which is a different thing. There are lots of people around who have relationships with other people who fit into that broad category, and so the fact that you have a relationship does not per se mean you have a conflict. It means that you should declare that relationship, and the PRC and the FPC will decide whether or not that relationship could constitute a conflict. There is a distinction to make between, as I say, a relationship and a conflict.

Helen Goodman: But those committees did not have the opportunity on this occasion at any point to question—

Anthony Habgood: She has not yet taken up the role. They will have the opportunity.

Helen Goodman: Sorry, I was asking you—

Anthony Habgood: Historically, no.

Chair: I thought she had taken up the role.

Anthony Habgood: Yes, but they have not had a formal meeting since then. They had a joint meeting, but they have not had a formal meeting. It will be at the first meeting. That is how the policy works—the first full meeting.

Q33 **Helen Goodman:** How many opportunities has she had to declare that her brother works at Barclays?

Anthony Habgood: When she joined, whenever she has attested to that code, which I guess we brought in 18 months ago or something like that, so probably two or three and she has not attested to that. She did voluntarily put it in answer to the written questions you, the Committee, asked her.

Q34 **Helen Goodman:** You are saying that she did that voluntarily.

Anthony Habgood: Absolutely.

Q35 **Helen Goodman:** You are saying that responding truthfully to questions from a select committee is something that you volunteer to do if you want to do it, and if you do not want to do it you do not need to do that?

Anthony Habgood: No, no, no.

Q36 **Helen Goodman:** Why did you use the word voluntarily?

Anthony Habgood: Because she had responded. She responded of her own volition. Maybe that is the wrong word to use—voluntarily. She just responded.

Q37 **Chair:** There is a rather less attractive construction of it, is there not, which is that we went through several hoops when she first arrived in the Bank and then these two or three further opportunities to address this on a code that she herself had written. In evidence to us she said she knew she was compliant because she helped write the code. But it took parliamentary scrutiny and the requirements of parliamentary scrutiny to elicit a response that she should have given several years ago. It does not look good, does it, Mr Habgood?

Anthony Habgood: It does not look good. I agree with you—it does not look good.

Q38 **Chair:** To use the phrase of Mr Fried, it does not look like leading by example, does it, Mr Habgood?

Anthony Habgood: It does not look like leading by example, no.

Q39 **Helen Goodman:** There was the occasion when she took up her initial appointment. There were the annual attestations—there might be a couple of those—and then there was the application for the job. She said in evidence to us that prior to the hearing she discussed the fact that her brother works for Barclays with the company secretary. When did that discussion take place with Mr Footman?

Anthony Habgood: That would have taken place sometime before she submitted the written evidence to you, so let's say 10 days or two weeks or something before her hearing.

Bradley Fried: I understand, Mrs Goodman, that that took place during the preparation time for those documents.

Q40 **Helen Goodman:** Did Mr Footman make a note of that discussion?

Bradley Fried: I do not know of him making a note. I do not believe so.

Q41 **Helen Goodman:** Would you like to write to us with the answer to that question?

Bradley Fried: I think the answer is no, but should it be different we will write to you. You can take it as a no.

Q42 **Helen Goodman:** Do you know what the company secretary advised?

Bradley Fried: Yes, I do know. The company secretary advised that all disclosures should be made. Charlotte showed him, as I understand it, what disclosure she was going to make, which were full and comprehensive, and the company secretary advised that that was the only thing to do and her submission would be entirely correct.

Q43 **Helen Goodman:** Okay. Turning to the appointment process for the Deputy Governor, was that led by the Bank or the Treasury?

Anthony Habgood: It was led by the Treasury.

Helen Goodman: The candidate pack for the appointment notes that the panel, on which I think you sat—

Anthony Habgood: I did, yes. Dorothy Thompson and I sat there for the Bank.

Helen Goodman: The panel was to recommend those candidates that it deemed appointable to the Chancellor of the Exchequer.

Anthony Habgood: Yes.

Q44 **Helen Goodman:** Did you provide more than one name?

Anthony Habgood: We did.

Q45 **Helen Goodman:** Did you provide them in rank order?

Anthony Habgood: I do not know how the Treasury then put them on. We were not asked to rank order. My guess is yes, but I do not know the answer to that.

Q46 **Helen Goodman:** Do you know whether any additional commentary on the appointable candidates was given to the Chancellor?

Anthony Habgood: I do not.

Q47 **Helen Goodman:** Do you know whether it was suggested that one person would be more suitable than other people?

Anthony Habgood: I do not know that because, again, I was not part of the process of the Treasury transmitting to the Chancellor.

Q48 **Helen Goodman:** The Governor and the Chancellor, according to the candidate brief, may choose to meet with the shortlisted candidates. Do you know whether either of them did?

Anthony Habgood: I do not. It is not a case of meeting with Charlotte, because the Governor would have been meeting her fairly regularly. In terms of a formal meeting on this subject, I do not know the answer to that.

Q49 **Helen Goodman:** The Chancellor would not be meeting her on a regular basis, would he?

Anthony Habgood: He would not, no.

Q50 **Helen Goodman:** Did the Governor have any input into the selection process?

Anthony Habgood: Yes, certainly, because he is very knowledgeable about the field and this is somebody who is going to be working directly with him. Yes, I would expect any senior person, when we are talking about somebody who is going to be working directly for them, to have an input on that process, but he was not a member of the panel.

Q51 **Helen Goodman:** Do you know if the Governor provided any advice to the Chancellor on the appointment?

Anthony Habgood: I do not. Do you mean directly? I do not know that.

Helen Goodman: This might be going back to where we were before, but applications were supposed to include a conflict-of-interest form.

Anthony Habgood: They did.

Q52 **Helen Goodman:** Did Ms Hogg's not include that?

Anthony Habgood: They did include those forms, but those forms very specifically when they are submitted to the Treasury have a note on them that they are not going to be shared with the panel. I have only seen that form because I asked for it in this process.

Q53 **Chair:** What was the purpose of the declaration if it is not going to be shown—

Anthony Habgood: I assume, to the people who are going to be making the ultimate decision—

Q54 **Chair:** To whom was that information shown?

Anthony Habgood: That I do not know.

Chair: We better find out.

Anthony Habgood: The form has a line it that says, "This is not for the panel".

Chair: We better have a very full and detailed note elucidating how exactly this appointment and other appointments to the post of Deputy Governor are followed in much more detail than at present is available in the exchange of documentation that currently exists in the public domain. I would be grateful if, on behalf of Parliament, you, as Chairman of the Court, could ensure that that is done and provided for us.

Anthony Habgood: Yes, I can certainly try to do that.

Q55 **Chair:** Just do it. You are the Chairman of Court. You instruct the Bank to do it.

Anthony Habgood: The appointment, however, is a Treasury appointment. It is not a Bank appointment.

Chair: If you get any obstruction from the Treasury, let us know.

Anthony Habgood: I will let you know.

Q56 **Chair:** And we would like to see the form.

Anthony Habgood: You would like to see the form. Yes, I am sure we can—

Q57 **Helen Goodman:** You do not know whether she declared that her brother worked as a director.

Anthony Habgood: I do know that she did not on that form, because I have looked at it since. Sorry, I was not clear on that.

Q58 **Helen Goodman:** Okay. That was not quite clear to me. Mr Fried, if you were in the private sector previously, what would your normal position be on a candidate who failed to disclose material relevant to their application?

Bradley Fried: Mrs Goodman, that is a terribly important question and there is a point of differentiation in the answer between candidates that are new and candidates that are well known and tried and tested, so an internal candidate versus an external candidate. In the private sector, I would certainly have a different reaction to one from the other. If it was a candidate I did not know who had approached us fresh from the outside and had failed to make a disclosure, I would question judgment. I would not have a good sense as to whether that was an act of commission or an act of omission. I would not have a sense for it, because I would not have known the candidate.

I would have to differentiate that from an internal candidate, where I would then go through a very serious process with my colleagues and in my own mind as to whether or not that candidate acted wilfully or whether there was any intent or not. That could lead to one or another outcome, depending on the answer.

Q59 **Helen Goodman:** You are saying that the rules should apply to outsiders but not to insiders.

Bradley Fried: Definitely not.

Helen Goodman: That is what you just said. You said on a failure to declare you would treat an insider differently from an outsider.

Bradley Fried: You asked me what I would do in the private sector. If somebody made a non-disclosure in the private sector, without knowing any context at all for that person or for their behaviour—I am answering you absolutely directly—I would find that troublesome. If the candidate was an internal candidate, I would want to find out more and I would want to know more, because it would appear out of character. There is an out-of-character moment in respect of everything else I know about that candidate.

Q60 **Chair:** You would agree that it does make it very difficult to have a fair and independent application process where internal candidates effectively have a leg up in the system that you are applying in the private sector over the external candidates.

Bradley Fried: Chairman, I do not think so.

Chair: They might get absolution or heavy mitigation for a minor breach.

Bradley Fried: I do not think so, Chairman, for the reason that Mr Habgood just mentioned to you. He told you that the conflicts were not known to the panel. The decision that the panel made as to the electable candidates, as I understand it, Anthony, were made without reference to conflicts of interest.

Anthony Habgood: Correct.

Q61 **Chair:** Did she have to make a declaration when she applied for the job of Chief Operating Officer?

Bradley Fried: Yes, she did.

Chair: What you seem to be saying, Mr Fried, since you make that differentiation between internal and external candidates, is at the time that she was an external candidate she would not have got the job.

Bradley Fried: No, not at all.

Q62 **Chair:** Or that you would have considered it a very serious matter—much more serious than for an internal candidate.

Bradley Fried: Interestingly, at the time of her applying for the job—and I need to check this—I am not quite sure if the Bank's Our Code was in action in relation to very detailed disclosures of brothers at Barclays etc. Charlotte's role for the years since she joined in 2013 was a deeply operational role. She had no microprudential or macroprudential decision-making role at all.

Chair: That is not the same point that I am making. I make the point about disclosure.

Bradley Fried: You make the point about disclosure. I would have regarded that at that time as immaterial. Candidly, Mrs Goodman, as I reflect on my answer to you earlier on, for an external candidate for Chief Operating Officer at that time not disclosing a brother at Barclays, I would have struggled to have got too exercised about that. I would differentiate that very clearly from the position of applying for a deputy governorship and a position therefore on the PRC. I would differentiate that.

Q63 **Chair:** The Chief Operating Officer attended Court, did she not?

Bradley Fried: She did, but Court was not a decision-making body when it came to regulatory judgments.

Chair: Therefore, she is privy to the decision-making of the Bank at the highest level.

Bradley Fried: She was.

Q64 **Chair:** Therefore, even though she had no decision-making authority, the scope for the conflict would be just the same, because she was already seeing the paper flow.

Bradley Fried: There are two levels for that, Chairman. You are absolutely correct. The scope for the optics of a conflict were as high, and that is entirely correct.

Q65 **Chair:** Therefore, the distinction that was made at the beginning of this hearing between the events up to this appointment and subsequent to it is really much less significant than it initially appears?

Bradley Fried: I guess, Chairman, there may be two parts to this. One is regulatory decision-making and the other is regulatory knowledge of what those decisions were. Perhaps Mr Habgood was referring to the decision-making process, of which she had no part, versus the knowledge of the decision.

Chair: The question is what is a minimum necessary condition for a perception of or actual conflict to arise, and I think you would agree with me that knowledge is a sufficient condition.

Bradley Fried: I would.

Q66 **Helen Goodman:** Mr Habgood, do you agree with the distinction that Mr Fried has put forward between internal and external candidates and how they should be treated?

Anthony Habgood: It is a very specific issue. Whenever you make an appointment, you think about the integrity of the individual and so on. When you are doing an external candidate in my world, you would take a lot of references on them. With an internal candidate, you would not on a lot of that side. There is inevitably a distinction, because you know the individual and you have a track record of them, but I have always gone for the best candidate when it has been my decision. Here it is not. It is more complex. It is a Treasury decision. It is not the decision of the Bank.

You inevitably take into consideration what you know about an individual when you make an appointment. That leads to the external candidates being favoured, as the head-hunters of this world will say to you quite often, because you also know the things that people are weak at, and with an external candidate, if they present themselves well, you do not know those. You cannot have an exactly equal assessment from an internal to an external.

Q67 **Helen Goodman:** You cannot have an exactly equal assessment, but you can have an exactly equal process, can't you?

Anthony Habgood: I am saying that with an external candidate I would make a lot more enquiries about them and take a lot more references. In my other lives, you take many more references. That is a difference in process. In principle do I agree with you though that the internal candidate should comply with the code? They should. We are saying she did not and we think it is an honest mistake. That is our assessment, rightly or wrongly.

Q68 **Helen Goodman:** Mr Fried, do you agree that in principle failure to disclose information requested during an application process is grounds for rescinding an appointment?

Bradley Fried: It could be, but it depends on the materiality of that disclosure, Mrs Goodman, and the intent behind it. In principle the answer is it could be.

Q69 **Helen Goodman:** How can you judge what somebody's intention is?

Bradley Fried: It is a very difficult question. It is a function of the data points that one has about a person. If one has worked with a person for three and a half years and has a sense of that person's absolutely unimpeachable integrity, approach to life, straightforwardness in respect of all things and putting out bad news very quickly as soon as it becomes known, it is a question of one's track record. That gets to the question of external versus internal candidates. It is completely legitimate for you to question the difference between the two.

I will make it very personal. In Charlotte's case, I have been on Court. I have worked with her and I have seen an utterly distinctive candidate emerge and grow over three and a half years, and this is out of character. Can one be definitive about an act of omission or commission? No. Could I be as definitive on this one as I have been on any one? I would answer yes. Terribly unfortunate, very aggravating, very grumpy inducing and clearly it is having consequences, but is it the grounds for rescission? I struggle mightily with that one.

Q70 **Helen Goodman:** Do you, Mr Habgood, believe that not providing information requested in an application process might ever be grounds for rescinding an employment?

Anthony Habgood: Might that ever be? The answer has to be yes, because you have to say why it was omitted. I used the word voluntary before, which I should not have and you rightly picked me up on, but she put it in to the form to you and she did not put it in to the form to HMT, which is grounds for suggesting that she did not deliberately leave it out.

Q71 **Helen Goodman:** Do you think it might be because there is more public scrutiny of public documents that come to a Select Committee? Is that possible? You yourself said that when those papers are handed over to the Treasury, it is promised that they will always be in private, whereas when papers come to a public Select Committee in the House of Commons, there will be lots of people—presumably—who know that her brother is a director at Barclays. If she does not tell the truth in a public document, there will be people who say, "That is not a truthful document". But in a private document, people may not know. Is that a possible explanation of what has gone on?

Anthony Habgood: Of course it is a possible explanation, but, from what I understand, she has not ever tried to hide the fact that she has a brother at Barclays. I have never asked her what her family situation is.

Kit Malthouse: *inaudible* [10.55.32]

Anthony Habgood: Sorry?

Chair: No, do just carry on. Other colleagues will come in.

Anthony Habgood: Okay, okay.

Chair: Ignore the noises.

Kit Malthouse: I apologise.

Anthony Habgood: Not at all. I am sorry. Where were we?

Q72 **Helen Goodman:** I was suggesting to you that being truthful when everything is in public is absolutely essential, because, if you are untruthful, there will be a lot of people who can see this is untruthful—whereas being untruthful in private, where nobody knows where private documents go, is another matter.

Anthony Habgood: There is maybe another explanation: that, when the form came from you, she went to the company secretary and talked about it and said, "What should I put down in here? What are the things that I should put down?"

Helen Goodman: But one would have thought—

Q73 **Chair:** Did she? Did she do that?

Anthony Habgood: I understand she did, but I do not know. I imagine she filled it in. That is certainly what I would do.

Q74 **Chair:** Why did the company secretary not identify all these earlier breaches at that time?

Anthony Habgood: I do not know the answer to that.

Q75 **Helen Goodman:** Turning to the code of conduct, for which she was responsible and which she introduced to the Court in order to raise professional standards—

Anthony Habgood: We all asked for a code of conduct and a compliance function. It was something the Bank desperately needed.

Q76 **Helen Goodman:** The extract from the Court minutes on 20 May 2015 say, "Ms Hogg introduced the Bank's proposed Code for staff. This was part of the work to 'professionalise' the Bank".

Anthony Habgood: Yes.

Q77 **Helen Goodman:** She introduced it and it was intended to be a first step in building the new compliance function.

Anthony Habgood: Yes, which has since been built up.

Q78 **Helen Goodman:** Is it the case that adherence by employees of the Bank to the code of conduct is essential to public trust and to fulfilling the Bank's mission?

Anthony Habgood: The purpose of the Code is exactly that, of course, yes. It is important that people comply with the Code. Some parts of the Code are obviously more important than others, but, yes, absolutely, it is the case.

Q79 **Helen Goodman:** As well as drawing up the Code and introducing it to the Court and moving policy on in order to improve the management at the Bank, the Chief Operating Officer is responsible for policing the Code. Is that right?

Anthony Habgood: There is a compliance officer who reports through to her, yes.

Bradley Fried: The compliance officer has a dual report. The compliance officer reports dually to Charlotte and to me, as the Head of the Audit and Risk Committee—in addition to my Deputy Chairman role.

Q80 **Helen Goodman:** Is it not rather odd that the compliance officer and the person to whom the compliance officer reports do not ensure they both have fulfilled the Code?

Bradley Fried: It is.

Q81 **Chair:** How grumpy would you be about that?

Bradley Fried: We are disappointed, Chairman.

Q82 **Chair:** Are you disappointed or very disappointed?

Bradley Fried: Grumpiness has degrees. We are grumpy about that.

Q83 **Chair:** We should treat grumpy as an understatement. Is that correct?

Bradley Fried: Yes, we are upset about this, because, given the quality of this candidate, this is really not—

Q84 **Chair:** It is out of character.

Bradley Fried: Yes, completely out of character. It is so out of character.

Q85 **Chair:** Yes, as you put it before. Perhaps we can go back to the reasons for the exclusion of this declaration, about which we were speculating earlier, partly because Mr Fried said—and I think you agreed in different language—that it was not wilful and there was no attempt to conceal anything here, as far as you are aware. Let's run through some other possibilities. Is it because the Bank is a bit casual about this sort of thing or has been, historically? Did that culture infect the approach to senior people filling in these forms, including Charlotte Hogg?

Anthony Habgood: The Bank is not casual about it now. "Casual" is probably the wrong word for back when she was doing it, but it was—

Q86 **Chair:** It was less than rigorous.

Anthony Habgood: It was less than rigorous, but there was not a code all in one place. There were various bits and pieces to which you were meant to adhere. The purpose of the Code was to bring it together and make it a focus and to comply. It is difficult. If you take the thing to its full and you talk about relationships and the potential for perceptions of conflict, you can end up with an awful lot of people on everybody's declaration—or you could do.

Q87 **Chair:** I understand that. I am just trying to go through a series of things, unless this is a particular point you wanted to make. I understand the point you are making is that there is quite a lot of work to do here and it can be quite involved. Is that the point you are making?

Anthony Habgood: Yes, that is one of the points. You then have it recorded in a database, but then somebody has to assess whether or not there is the potential for a real conflict in any of those, as opposed to a relationship.

Q88 **Chair:** That is the compliance officer's job, taking advice, if necessary, from the Chief Operating Officer, is it not?

Bradley Fried: No, it would be taking advice from me in that instance.

Q89 **Chair:** Can I just stick with Mr Habgood for a moment? Sorry, do go ahead. I am just trying to clarify whose responsibility that is. It starts with the compliance officer, doesn't it?

Anthony Habgood: Yes, the compliance officer indeed, but the line managers are also meant to know about these relationships of the people who are reporting to them. It goes down the organisation, as it should, because there is not a lot of point in somebody at the top knowing all these things if—

Q90 **Chair:** I am just trying to run through the possible reasons for the exclusion of this over so many years that you are giving us. You are saying you put the likelihood of it being wilful at a heavy discount and the likelihood of it being a consequence of a culture of casualness—that is how I have described it, but you have used other language—as unlikely. This is a very tough job. What about overload? There is a lot to do.

Anthony Habgood: Yes, for the individual there is a lot to do. These things are a prioritisation. I would guess that every senior person in the Bank worries, if they invest in an ISA, "Have I declared that?" There are a lot of ongoing relatively small compliance things, which you have to worry about. Some people are good at doing that and some people are less good at doing that. Everybody probably finds it difficult.

Q91 **Chair:** This is not a small thing, is it? This is not failure to report an ISA. It is a bit bigger than that, is it not?

Anthony Habgood: It is bigger than that, but it is not as if we are talking about a brother and sister who are 21 years old, living at home and watching the telly together every evening. These are people who are individual—

Q92 **Chair:** I have asked you whether overload could be part of the explanation.

Anthony Habgood: It could.

Q93 **Chair:** I have asked you whether it is plausible that it was. There has to be an explanation. If we are ruling out wilfulness and casualness, we have to find some explanation.

Anthony Habgood: Yes. I honestly think her perception is that her brother works at a level that is unlikely to cause a conflict, which is psychological. That does not help with the Code, but—

Q94 **Chair:** In other words, she formed a judgment about it off the top of her head without consultation with others, which has turned out to be wrong. She has made a misjudgment.

Anthony Habgood: That is possible, yes.

Q95 **Chair:** That is what you have just said. You said you "honestly think" that is what might have happened.

Anthony Habgood: "Might have" is what I am saying. It is possible.

Chair: Is that correct? Is that possible, plausible or likely?

Anthony Habgood: It is possible. I think it is possible.

Q96 **Chair:** Okay. I will ask you the overload question again. Are you saying that this is a case of overload or not?

Anthony Habgood: That may have contributed. I do not know.

Q97 **Chair:** We now have that she made a misjudgment in underestimating the importance of the declaration, possibly allied to not having enough time to think about it.

Anthony Habgood: That misjudgment—

Chair: Are you agreeing with that assessment?

Anthony Habgood: Broadly yes, subject to the fact that that misjudgement is much greater when you come to the new role than it was in the old role.

Q98 **Chair:** Okay. I want to come on to one more thing. In her assessment of whether there was a conflict, she will have presumably tried to find out a little at some point, once she realised she needed to declare it, what her brother did, if she did not already know. Would you say that was a sensible thing to do?

Anthony Habgood: Yes, I think she did try to find out what her brother did.

Q99 **Chair:** After all, if he is running the Bank's security to make sure they are invulnerable to terrorism or something, that is very different from being a job very closely related to what regulators may be interested in. Would that be fair?

Anthony Habgood: Certainly that would be fair, yes.

Q100 **Chair:** Beyond what you have said today, have you made any assessment of whether a potential conflict might arise?

Anthony Habgood: As I say, it is not for me. It is now for the individual policy committees to make those assessments. That is how our current set-up is.

Q101 **Chair:** But in terms of forming a judgment about whether this appointment is suitable in the light of this event, have you looked at that issue at all? I mean you personally.

Anthony Habgood: Have I looked at whether or not she would be in a position of not being useful in that role?

Q102 **Chair:** No. I mean whether the job that her brother does specifically might have a bearing on whether there is a potential for a conflict.

Anthony Habgood: We could not rule out anyone who has a relation in one of these organisations from joining. You need to declare it; you need to be clear on it; but it per se does not constitute a conflict.

Q103 **Chair:** The letter we have received says, "I have spoken subsequently with both the Secretary of the Bank and the Chair … [They] acknowledge that no actual or potential conflict has arisen". You are saying that was retrospective.

Anthony Habgood: That was retrospective. That was written in the context of the COO.

Q104 **Chair:** Now, yes. You formed that judgment retrospectively. What about going forward? What about for the new appointment? Have you formed that judgment?

Anthony Habgood: As a Member of Court, she would be absolutely fine. In terms of the positions with respect to the policy committees, they have to make that judgment and make the judgment as to whether or not she would need to be recused from certain parts of those committees.

Q105 **Chair:** But you have not formed that judgment.

Anthony Habgood: I have not formed that judgment, and it is not for me to form that judgment.

Q106 **Chair:** Do you know what her brother does at Barclays?

Anthony Habgood: I understand he works in the strategy department.

Q107 **Chair:** Do you know what that is or what it does?

Anthony Habgood: No.

Chair: I have here from the website that a core part of his function is the examination of various regulatory changes, including: UK and US ring-fencing; capital changes; Basel IV; TLAC, which, for people who do not know, is the loss-absorbing capacity structure put in place by the regulator; the net stable funding requirement; and capital charges such as the UK bank levy. You cannot get more central to the role of the regulator than those functions.

Anthony Habgood: I think he has moved on from that role, but nevertheless I accept what you are saying.

Q108 **Chair:** You have looked at what he does.

Anthony Habgood: I am sorry.

Chair: To be fair, Mr Habgood—

Anthony Habgood: I said I thought he was in the strategy department, but I do not have any—

Q109 **Chair:** Okay, so he used to do this and he has now moved on.

Anthony Habgood: I believe so, but, again, I have not checked that.

Q110 **Chair:** I am just going back a step. Here we have someone sitting on board in receipt of all these papers who for years has had a brother working on this, which has not been declared. How do you feel about that as Chairman of the Board?

Anthony Habgood: As I say, it is very regrettable—but I, at least, do not feel there has been a conflict there. It is extremely regrettable that she did not declare that.

Q111 **Chair:** But it is not the conflict that counts, is it? It is the potential for conflict and the perception of conflict.

Anthony Habgood: Yes.

Q112 **Chair:** We are now agreed that it is not just a perception of conflict but a potential for conflict, aren't we? She has access to documents. She has been having access to documents that clearly could be of interest to a commercial bank on a big scale.

Anthony Habgood: Yes, no, absolutely, and I am sure she and many other people have friends in commercial banks and so on and so on—probably to whom they are a lot closer than a grown-up brother.

Q113 **Chair:** We are not talking about that. We are talking about the brother and the declaration requirement for the brother here.

Anthony Habgood: Yes. No, we are; we are. I am just putting it into—

Chair: We are not talking about friends or who you meet at dinner parties.

Anthony Habgood: No, absolutely.

Chair: I am going to bring in Steve Baker, who has to leave shortly.

Q114 **Mr Steve Baker:** Yes, very good morning. I have justice question number 1, so I shall have to go. I want to pick up on this word "casual", which the Chairman used and which you said was the wrong word. I am just looking at the transcript, where Mr Malthouse asked, "Obviously you have family connections in the industry, so what measures have you agreed with the Bank to manage those?" Ms Hogg answered, "My only connection at the moment, which you are referring to, is my brother, who is part of Barclays' strategic planning group. He has been for a number of years". This is the important part. "I do not discuss work with him and he does not discuss it with me. We mostly talk about his children". Is that not a casual response?

Anthony Habgood: That is not her judgment to make, in my view.

Q115 **Mr Steve Baker:** Whose judgment is it? Is it yours?

Anthony Habgood: That judgment should have been made by declaring it as a relationship, initially by the company secretary and wherever it then goes after that.

Q116 **Mr Steve Baker:** To what would you attribute this quite, if I may say so, casual reaction to this point? Why would she be so willing to wave away this relationship?

Anthony Habgood: What do you mean by "wave away" the relationship?

Q117 **Mr Steve Baker:** Let me put it to you like this: I would not want to exclude anyone from high office because they come from a distinguished family—certainly not. But I just observe that—as someone who comes proudly from a very ordinary background, who was comprehensive-educated and all that—it was almost comical how certain of my esteemed colleagues had to declare that they had known her or her family for a long time.

Anthony Habgood: It was a little embarrassing.

Q118 **Mr Steve Baker:** It was slightly comical. She is somebody from an esteemed and distinguished family that is very well connected at extremely senior levels. Unlike her, I certainly would remember if my sister were a director of strategy at Barclays. Is it possible that people from distinguished families might be vulnerable to getting caught out on this sort of thing because they just forget how privileged they are to be so well connected?

Anthony Habgood: That certainly is worthy of speculation. I have no particular view on that. Like you, I would know if my sister was a strategy director for Barclays.

Q119 **Mr Steve Baker:** I deliberately put the point with a slight degree of levity, but the real concern I have here is that people could be vulnerable to making a mistake like this precisely because they take for granted that people in their circles are such senior people. Is that a vulnerability you recognise?

Anthony Habgood: I do recognise that as a vulnerability. If you have to write down that your father is a Conservative peer and you do not put that down, somebody might say, "Wait a minute—you are politically biased because your father is a Conservative peer", etc., which is a problem, as you said. I take your word for it that you do not have that. I do not have it, certainly.

Q120 **Mr Steve Baker:** Yes. The other point I want to pick up on is this point about her role as a compliance officer and the people who have reported to her. She said in answer to another question, "I have always declared, from the moment I joined the Bank, all of my potential conflicts of interest", which is of course the central point she has had to correct.

But later on in an answer, there was a conversation about whether or not she had discussed these matters with you. In her answer, she said, "I am in compliance with all of our codes of conduct. I know that; I helped to write them". That is a very strong statement that she understood what was in the codes, and yet we have subsequently found out she did fail to comply. Could you just express the degree of concern you have at the fact that, having helped write these codes, it then turned out she was not in compliance with the codes she had herself helped to write?

Anthony Habgood: Obviously, you are absolutely right. It is of great concern, and it is very disappointing when you have gone through this and that sort of thing happens. On the other hand, I come back and say, "Let's look at this in the round". I think she believed she was in compliance. I suspect she believed she declared in 2013. But I agree with you: it is not satisfactory.

Q121 **Mr Steve Baker:** You have given us very candid answers, which I hugely appreciate. If I may say so, listening to your testimony, I have been grateful that you are in the role you are in. In particular, I would not like to quote you but you indicated that people in such senior roles will have had ups and downs and things will have gone on. Of course, this is as public and as excoriating a set of circumstances within which somebody could have such an error. How do you imagine she is going to recover from this set of circumstances to carry the authority she must carry in the role she will occupy?

Bradley Fried: Mr Baker, thank you for that question. It is very provocative. You ask me to speculate, but, again, in the spirit of candour I am going to come at it from two sides, if I may. The starting point will be—please just allow me to follow the logic—the Charlotte I have got to know as an impeccable professional. I say "impeccable".

The starting point is that exudes natural authority and natural leadership. She is very smart; she is very capable. She has a significant followership in the Bank. At Court, you would well imagine we monitor followership within the directorates very closely, because we have to take a look at morale and retention rates and resignation rates. She has a significant followership and she has had a significant impact. The starting point we have here is a personally powerful professional with great integrity. That is our starting point. Now comes the question of recovering from this.

Our sense is that she came to the hearing confident in the disclosures she had made. In the context of wilful non-disclosure, it is interesting that there is this idea she would have not made the disclosure but come into the hearing and said she had made it. If she had known she had not made it, that is almost inconceivable. When she came in here, she was very candid about what she thought and she was very quick to correct it in a letter I believe you received on Friday morning. I thought that was pretty powerful stuff and it must have been terribly hard to go through. I know she has had discussions with her line manager—in that case Dr Carney, the Governor—and I know HR has looked into this. They have concluded that this was an unwilful incident, but she has had to go through that and she has gone through that very publicly.

I now conclude—I get back to the earlier statement I made, Mr Baker—that I have to say that the most powerful executives I have seen in the private sector tend to be people who have picked themselves up from mishaps. Superb organisations do not have a spirit of meanness or zero tolerance for failure or miscommunication or unwilfully problematic behaviour. It would be a terribly poor private sector if we had that. I have never seen superb executives who have not failed, and the best tend to pick themselves up. Strangely enough, the organisations they run tend to learn from it.

Mr Steve Baker: That is a very interesting answer, of which I am grateful. It occurs to me that perhaps Parliament might learn something from what you have said.

Bradley Fried: Thank you, Mr Baker.

Q122 **Mr Jacob Rees-Mogg:** Can I come back to a question Mr Baker asked? He quoted something Ms Hogg said. The quotation carries on. Ms Hogg said, "I am in compliance with all of our codes of conduct. I know that; I helped to write them. I have discussed it with the company secretary". The thing that concerns me goes beyond the immediate case of Ms Hogg and relates to the Bank itself and its awareness of its own regulations. If, in drawing up a document that lists all the disclosures, the company secretary does not know this is something that a very senior individual within the Bank ought to have declared, then who does, Mr Habgood?

Anthony Habgood: What you are saying is that, when it was declared, it should have been picked up, back to the record?

Q123 **Mr Jacob Rees-Mogg:** It seems the company secretary did not know this was something that ought to be on the Bank's formal record.

Anthony Habgood: Yes, or did not know that it was not already on it and did not check.

Q124 **Mr Jacob Rees-Mogg:** Or he did not think to check.

Anthony Habgood: No.

Q125 **Mr Jacob Rees-Mogg:** Beyond Ms Hogg's misinformation to this Committee, there seems to be a problem within the Bank within its own codes. People do not seem to know what they are supposed to be doing at the most senior level, and the level that is administering the codes.

Bradley Fried: Mr Rees-Mogg, I know you addressed that to the Chairman. Do you mind if I answer it?

Mr Jacob Rees-Mogg: No, please answer.

Bradley Fried: Thank you. It might be helpful if I take you through the process of filling in these forms. Upon joining, there is a disclosure one makes. One is taken through the training that underpins the Bank's Code, and that requires a very substantial level of ongoing attestation. Every single year, as of 18 months ago, the entire organisation is asked to attest to a variety of disclosures. Court is on top of that attestation to the degree that we expect 100% compliance. That compliance also applies to Court. We make disclosures of all our financial arrangements; we request trading permission. Every single disclosure that applies to the staff also applies to the non-executive directors and the executive directors of Court, the Deputy Governors and the Governor.

The information that is received is voluntary and is served up by each individual. It is not tested unless there is a suspicion. Occasionally it could be, for example, that somebody says they are a director of X company. We will expect the company secretary to check the company, make sure it does what it does and so on and so forth. But we do not check internally for brothers, sisters, cousins, aunties, uncles and so on and so forth. It would be an impossible situation. What we do maintain internally, however, is a relationship database. Based on the submissions of each individual, we have all the information we need.

We have a reasonable expectation—this comes back to Chairman Tyrie's earliest point—that everybody makes full disclosure. That full disclosure will go into the relationship database, and that database will then generate potential conflicts or optical conflicts as they occur.

Q126 **Mr Jacob Rees-Mogg:** But nonetheless the company secretary did not think to say, "Why is this not declared to us?"

Bradley Fried: Can I just clarify? Are you talking about the two-week period between—

Mr Jacob Rees-Mogg: I am talking about Ms Hogg's answer. It says that before she came to the Committee, she had discussed it with the company secretary.

Bradley Fried: I do not know the answer. I could speculate. I could speculate that the company secretary may, at that stage, have believed the disclosure may have already been on file. He might not have checked it.

Q127 **Mr Jacob Rees-Mogg:** It just seems a little slack. We have the minutes from the Court from 20 May 2015, where the Court discussed compliance and enforcement. It seems very happy with compliance and enforcement.

Anthony Habgood: It introduced a new Code, if you understand, to try to pull all the codes together, to make it understandable and easy to deal with.

Mr Jacob Rees-Mogg: It set out its values and said you like motherhood and apple pie and all of that, and said, "We are all splendid fellows". Then when a very senior person is not actually following it, nobody knows.

Anthony Habgood: As I said, it is not—

Q128 **Mr Jacob Rees-Mogg:** Mr Baker was mentioning that, when Ms Hogg came in, several of us knew her socially. That is one of the things about coming from a distinguished family, but it does also mean that your relations are highly notable. There are not many people in the City called

Quintin Hogg. It is the sort of thing that people who had knowledge of the City would have known.

Anthony Habgood: Yes.

Bradley Fried: For example, Mr Rees-Mogg, may I say that I know that Charlotte's brother is a banker and I have met Charlotte's brother? But I would never have had cause to see Charlotte's disclosure of the fact her brother was a banker—nor, indeed, was I on the Committee that was looking at her appointment. It would not be appropriate for all of us to say, "What do we know about that person? Is it on his or her form?"

Q129 **Mr Jacob Rees-Mogg:** Who does see this form?

Bradley Fried: It goes to the compliance officer, the company secretary and the line manager.

Q130 **Mr Jacob Rees-Mogg:** The compliance officer reported to Ms Hogg anyway.

Bradley Fried: They also reported to me.

Q131 **Mr Jacob Rees-Mogg:** Yes, they reported to you, but they did not see fit to share a very senior report with you. Who is checking the people who ought to be checking? Quis custodiet ipsos custodes?

Bradley Fried: It is something we should think about very carefully based on this incident—and we will, Mr Rees-Mogg. We rely on self-certification when it comes to the disclosure of relationships, and we do not do forensic work about those relationships.

Q132 **Mr Jacob Rees-Mogg:** Mr Habgood, I want to come back to something you said in relation to Mr Hogg.

Anthony Habgood: In relation to who, sorry?

Q133 **Mr Jacob Rees-Mogg:** It is something you said in relation to Mr Quintin Hogg, the brother of Charlotte Hogg. You said in answer to the Chair that you did not know specifically what he did. You thought he was in strategy. That is fair enough. But you were satisfied there were no conflicts. Without knowing precisely what he did or does, how do you know there were no conflicts?

Anthony Habgood: There were no conflicts with her role as Chief Operating Officer, which is a largely internally focused role. I agree with you—and I agreed with the Chair earlier—that the perception of conflict could exist there, but the probabilities of there being a conflict are really very low there.

Q134 **Chair:** I do not know how you could form that judgment, bearing in mind the PRC is producing papers that go to Court, which they can see, who are taking regulatory decisions that will have a dramatic impact on specific banks. At the time there was a failure in her declaration, she was in receipt of information that clearly was of a regulatory nature. Therefore, the fact she had knowledge of it, as we discussed earlier, should be of sufficient concern.

Anthony Habgood: The fact she had knowledge of what, sorry?

Q135 **Chair:** The fact she had internal knowledge of those regulatory decisions in the Bank of England. Therefore, a conflict could exist with her brother's role at Barclays.

Anthony Habgood: Yes.

Q136 **Chair:** It is more than a perception of conflict; it is the potential for conflict—even in the job of a chief operating officer.

Anthony Habgood: Alright, yes, in the job of chief operating officer, which is very different from that of chief executive.

Chair: I am sorry, Jacob.

Q137 **Mr Jacob Rees-Mogg:** This must be right. Can I quote from Ms Hogg's letter? She said, "I have spoken subsequently"—after the meeting of 28 February—"with both the Secretary of the Bank and the Chair of the Bank's Court of Directors. Both the Secretary and the Chair acknowledge that no actual or potential conflict of interest has arisen to date in relation to any decisions taken in my role as the Bank's Chief Operating Officer and that the perception of conflict would have been most unlikely". That is correct, isn't it? That is a factual statement of the conversations she had with you.

Anthony Habgood: That is a factual statement.

Q138 **Mr Jacob Rees-Mogg:** But you could not have known, because you did not know what Mr Hogg did. Even if she was Chief Operating Officer, his role at Barclays could have been something that was of great interest to the operations of the Bank or of great relevance to things that were discussed at the Court. You could not give that assurance that is then passed on to us. You were not in a position to say any more than that you did not know and you needed to look into it. The first thing you should have looked into was what Mr Hogg did.

Anthony Habgood: Yes, and, as I say, he was in strategy. I am sorry. Read again what she said there.

Q139 **Mr Jacob Rees-Mogg:** Okay. This is Ms Hogg after the hearing on 28 February. "I have spoken subsequently with both the Secretary of the Bank and the Chair of the Bank's Court of Directors. Both the Secretary and the Chair acknowledge that no actual or potential conflict of interest has arisen to date in relation to any decisions taken in my role as the Bank's Chief Operating Officer and that the perception of conflict would have been most unlikely".

Anthony Habgood: I am sorry to interrupt, but "in relation to any decisions taken in my role as … Chief Operating Officer" is absolutely the case. I firmly believe that. Let me—

Q140 **Mr Jacob Rees-Mogg:** But you have done nothing to check it, because you have not even found out what Mr Hogg did.

Anthony Habgood: Well, as I say, my understanding is he is in strategy.

Q141 **Mr Jacob Rees-Mogg:** That is a bit vague, isn't it? You have given an assurance to a House of Commons Committee that has already been misled—inadvertently misled, I absolutely accept. I am not getting into that sort of territory. I do not think there was any deliberate intent, but nonetheless it is quite serious. It is very rare we get letters correcting evidence. Then in a letter that is written, a bland assurance is given: "Well, do not worry, because there could not have been any conflict, even though we have no idea what Mr Hogg did". You did not look into it.

Anthony Habgood: I do not know what you mean by "look into it". I certainly took it very seriously and talked to the relevant people. I know he is working in the strategy department of Barclays.

Q142 **Mr Jacob Rees-Mogg:** But you have no specifics as to what he does.

Anthony Habgood: I have no specifics as to what he does.

Q143 **Mr Jacob Rees-Mogg:** Is that a satisfactory level of investigation? If you were on the other side of the fence, would you be impressed with that level of investigation?

Anthony Habgood: I will say again what I said before. The issue becomes serious in her role as a member of the PRC, not in the role of the decisions she has taken as Chief Operating Officer. That is the distinction I am making. You are pointing out that maybe that is cloudy. I am not sure it is, because the decisions of the Chief Operating Officer are about the operations of the Bank and not—

Q144 **Mr Jacob Rees-Mogg:** Decisions is a very narrow field. If you move to the word "role" of the Chief Operating Officer, sitting on the Court, there is clearly the possibility for conflict, because confidential matters are discussed at the Court, which we have already talked about.

Anthony Habgood: There is the possibility at that level, but, as I say, the factual quotation there is correct. Maybe that is semantics; I do not want to go into semantics.

Q145 **Mr Jacob Rees-Mogg:** No, but semantics may be very important. Are we getting, in this further letter, a very narrow assurance that in the decisions as COO there could have been no conflict but that in the role of COO there may have been a conflict?

Anthony Habgood: Do you mean there may have been the potential for a conflict or there may have been a conflict?

Q146 **Mr Jacob Rees-Mogg:** There may have been the potential for a conflict.

Anthony Habgood: I do not want to be semantic.

Q147 **Mr Jacob Rees-Mogg:** Personally, I think it is extremely unlikely that conflicts arise between brother and sister.

Anthony Habgood: No, me too.

Mr Jacob Rees-Mogg: But that does not matter. Your code of behaviour required that it was declared; it was not declared. Everything over conflicts is appearance to ensure it does not become a problem.

Anthony Habgood: That is right.

Mr Jacob Rees-Mogg: And knowledge is important, but if the Bank is sending us letters that are dividing between "decisions" and "role", I am more worried rather than less worried.

Anthony Habgood: I suppose I am in the same position as you are in judgment terms. I think it is extremely unlikely that there is a real conflict between brother and sister. The role she was performing is over here and the conflict might happen over here. Yes, there might be a little bit across the top here, but she is not involved in the decisions taken by the PRC. What you are suggesting is, "Here, I will pass some information across the Sunday lunch at granny's". There could be a perception of that, but that is stretching it an awfully long way.

Q148 **Mr Jacob Rees-Mogg:** That is damaging. It is not good for the Bank that that perception should be there. Markets move on gossip, as we know very well.

Anthony Habgood: Yes.

Mr Jacob Rees-Mogg: Markets love gossip. It is not that irrational to think those sorts of conversations could happen.

Anthony Habgood: No, no. That goes for any friend of anybody in the Bank.

Q149 **Mr Jacob Rees-Mogg:** Absolutely, yes—but the Code does not ask for friends to be disclosed; it does ask for family members in a regulated Bank.

Anthony Habgood: Yes. It specifically does, yes.

Q150 **Mr Jacob Rees-Mogg:** What is worrying me is that the Bank or the Court is pretty complacent about this. It is, "It cannot have been wrong, because we would not have behaved like that. Therefore, even though it was a mistake, we will say it was all fine. We will not investigate it. We will just say there is no conflict, because the brother is probably like us; he is another good chap".

I have moved on from being concerned about Ms Hogg's error to being concerned about the Bank's reaction. The Bank's reaction is pretty unrigorous. It is taking on bland assurances and passing them on to us. Mr Fried, do you want to come in?

Bradley Fried: You have raised two issues, Mr Rees-Mogg. One is the letter, which I will not take up. You have dealt with that. The other one is the question of, "Is this a good chap like us?" I do not really have a good sense of what the old Bank was like, but I do have a very good sense of what goes on now. There is absolutely none of that. We do not rely on names or distinguished families or historical ties or traditional webs of relationships for anything at all. It is a deeply forensic place, and it is a deeply fact-based institution. There is absolutely none of that, I can assure you.

But I do take your point. The only thing I can imagine is that it was the speed of getting the letter to you—getting a reaction to you and correcting the record, which was very important—and it was not all included. But I have no doubt that Ms Hogg has delivered chapter and verse as to what her brother does.

Q151 **Mr Jacob Rees-Mogg:** If it so fact-based and forensic, why on earth did it not find out what Mr Hogg does?

Bradley Fried: I am saying that I have absolutely no doubt Charlotte has disclosed that all. Subject to correction—

Q152 **Mr Jacob Rees-Mogg:** But it has not been checked by the Bank, so the Bank is not very fact-based or forensic.

Bradley Fried: No, I am saying I would be surprised if it has not been ticked off by the Bank by now.

Q153 **Mr Jacob Rees-Mogg:** No, but not before the letter was sent.

Bradley Fried: Perhaps not before the letter was sent.

Q154 **Mr Jacob Rees-Mogg:** It should have said, "This matter will be investigated to ensure there were no conflicts". It would have been wiser.

Bradley Fried: It would have been wiser.

Mr Jacob Rees-Mogg: Thank you.

Q155 **John Mann:** When did you first meet Charlotte Hogg?

Anthony Habgood: When did I first meet her? I met her when I joined the Bank. I do not remember exactly when I joined the Bank. It was in the middle of 2014. I did not know her before that. I would have met her shortly thereafter. Actually, no, it was probably shortly before that, while I was getting to know the Bank. It would be in the couple of months before that. It would have been March/April 2014 or something like that.

Bradley Fried: Mr Mann, I knew Charlotte very briefly in New York. I was a partner of McKinsey & Company in New York. I believe Charlotte was based in Washington DC but spent some time in New York. This must have been 20-plus years ago. The next time I contacted her was to congratulate her on her appointment to the Bank.

Q156 **John Mann:** You were not at the wedding.

Bradley Fried: No.

John Mann: Because her husband worked there as well.

Bradley Fried: Her what, sorry?

John Mann: Her husband also worked at McKinsey at the same time.

Bradley Fried: I thought you said her husband was not at the wedding. I got shocked for a moment, Mr Mann.

John Mann: No—they met at McKinsey when you were working there.

Bradley Fried: Yes, but I did not know her husband. I have met him latterly.

Q157 **John Mann:** I just highlight that point, because you both repeatedly, on every occasion, used the term "Charlotte". You have described her in glowing terms as impeccable. You have no doubts. You have described it between you as an honest mistake that comes about in the round. You even, Mr Fried, eulogised the fact that this was best practice in the private sector, in your answer to Mr Baker. You ended up by eulogising that this was best practice in the private sector and it was how the private sector operates. Mr Habgood, is the Court a private-sector body?

Anthony Habgood: No, it is not.

Q158 **John Mann:** We are talking about standards of the public sector in terms of overseeing the private sector.

Anthony Habgood: In a sense, you are talking about—

John Mann: You are a public-sector body.

Anthony Habgood: Yes, we are a public-sector body.

Q159 **John Mann:** You see, Mr Habgood, when you came into post, the journalist Alex Brummer wrote, "It had been hoped that when Anthony Habgood was installed as Chair of the Court in July 2014, it would herald a new era of better governance".

I would like to put something to you, Mr Habgood. When you talk about "impeccable character" etc. it takes me back. I recall many MPs being called that. That is how they were seen. They were people who we knew extremely well, and some of them went to prison. People were hugely shocked at what came out. These were people we had grown up alongside and known for decades. People were hugely shocked. That is why, would you not agree, there are standards in public life?

Anthony Habgood: There are. There are standards in private life as well, and I am not sure one is higher than the other. That is arguable, but there certainly are standards. There are standards across life.

Q160 **John Mann:** There are standards in public life.

Anthony Habgood: Yes.

Q161 **John Mann:** The code of conduct, in relation to which you have some role, is part of standards in public life.

Anthony Habgood: Yes, yes. I would say some role in creating the Code as well—or in having it created. To me, it was one of the things the Bank did not have and needed to have. It needed to have a code of conduct and a compliance function.

Q162 **John Mann:** There are two issues emerging here. The first is the personal ethics of Charlotte Hogg. She failed to declare; she broke the standards. If one of us did that, they would be quickly done over. The answer is, "Yes, they would". If one of this Committee failed to declare a lunch with you that came to over £300, which is declarable, the press and some of us, doubtless my good self-included, would regard it as quite appropriate to point that out—and that person would be in some problems just for having an overly expensive lunch from you. The point of ethics and standards in public life is, is it not, that the person in public life makes the declaration? Is that not the fundamental principle?

Anthony Habgood: The fundamental principle of the Code is that the person makes the declaration, yes.

Q163 **John Mann:** You will be aware of the Nolan Committee, the Committee on Standards in Public Life.

Anthony Habgood: I am aware of those, yes. As I say, we introduced the Code precisely because there was not a code, in that sense.

Q164 **John Mann:** The Code you have falls within the seven principles of standards in public life that first originated from Lord Nolan, I presume. Am I right in that?

Anthony Habgood: We certainly checked it against that at the time. It is now almost two years since we were doing that, but, certainly, yes, it was intended to comply entirely with the seven principles.

Q165 **John Mann:** The fundamental principle that underlies the Nolan code of standards is that the individual is responsible for their own behaviour and action, is it not?

Anthony Habgood: Yes.

Q166 **John Mann:** Therefore, if the individual fails to declare something that is explicitly declarable, they are the one who is liable, are they not?

Anthony Habgood: Yes, you should obviously declare. If you do not declare what you should have declared, you should declare it.

Q167 **John Mann:** Why have you brought into this hearing your own judgments on an individual? You have said "impeccable"; you have said you have no doubts etc. The issue is that there is a set of standards in public life that the individual is ethically, morally and personally responsible for—and they have been broken. You are not saying those standards, as they are applied in the Bank, are wrong, are you? You are saying they are appropriate.

Anthony Habgood: I am not saying they are wrong.

John Mann: She has broken them.

Anthony Habgood: That is correct. She has broken them. She has omitted—

Q168 **John Mann:** No—she has broken them. She has broken the standards in public life, has she not?

Anthony Habgood: She has broken that code, yes.

Q169 **John Mann:** You have done nothing about it, have you?

Anthony Habgood: What do you mean that I have done nothing about it? The first thing she did was to tell you that she had made a mistake.

John Mann: No, I am talking about you. You have done nothing about it, have you?

Anthony Habgood: I observed her hearing. We—

Q170 **John Mann:** Observation is not action. You have done nothing about it, have you? Let's go back to what Mr Brummer and many other people hoped for. I certainly will not try to speak on behalf of the Committee, but I got the feeling at the time the Committee hoped—and I was sitting on it—your appointment would lead to, in particular, robust independence of the Court. She failed to declare. She broke the standards for three years. You have discovered that now, but you have done nothing about it. You must see that the independence of the Court is being brought into question by that—by that inaction by you.

Anthony Habgood: As I say, I do not accept that the independence of the Court is being brought into question.

Q171 **John Mann:** Who is going to sanction Charlotte Hogg over this breach in the standards in public life?

Anthony Habgood: If we were treating her like everyone else, it is her line manager who makes that decision. That is Mark; that is the Governor. That is the way the Code is written and the way the Code is enforced. It would be for him and the HR director to decide. Obviously, I take an intense interest in that, but it is not for the independent members of Court to look through the organisation and say, "Oh, so-and-so did not declare something".

Q172 **John Mann:** I am sorry. You are again downplaying it. It was a bit more fundamental than that. Is it not the case that now—following the intervention, in particular, of Mr Tyrie, Chair of this Committee—she is going to have to recuse herself from certain meetings in the future? Is that not the case?

Anthony Habgood: She may have to recuse herself, depending on the judgment of the PRC.

Q173 **John Mann:** This is after the interventions of this Committee but, in particular, Mr Tyrie. Is that not the case?

Anthony Habgood: Yes, it is the case that this Committee brought this—

John Mann: Where were you—

Q174 **Chair:** Can we just have a complete answer to this? It is the case that what?

Anthony Habgood: It is the case the revelation that the relationship with her brother was not declared came out because, in response to the questions you asked in your request for a written submission from Charlotte, she put it in there and she did not put it into her earlier submissions.

Q175 **John Mann:** But you have not acted—and therefore we would have had a situation, without this Committee and in particular Mr Tyrie's interventions, where somebody who requires to be recused from certain meetings would not have been so. Business would have carried on as usual.

Anthony Habgood: With these relationship things, you can only deal with what you have had disclosed.

Q176 **John Mann:** With respect, Mr Habgood, you are fundamentally failing to understand the standards in public life. The standards in public life are about ethics, personal responsibility and the question of sanction if people breach it. It is not a question of your judgment on how she has breached it, is it? It is a question of, "Is that the right standard?" You have said, "Yes, it is". No one appears to be disputing that anywhere. It is set by the standards in public life, and it was, over a period of time, not operating. It was broken. It cannot get simpler than that.

Anthony Habgood: The standard was broken. Yes, that is correct. But, as—

Q177 **John Mann:** There are consequences from that. There are consequences in terms of her future role, of what she can do. There are potentially prior consequences from her involvement and engagement with your Court.

Anthony Habgood: I think I have covered that ground already. I think that is minimal now. I think what you are saying is that there is a black-and-white line here. As Bradley tried to go through before, when you are making these assessments, you take into account a number of different things.

Q178 **John Mann:** The Code is there, just as the Nolan Committee, for a very good reason. There is a very good reason why, if you buy one of us a dinner and it costs approximately £300 or more, we have to declare it.

Anthony Habgood: Personal gain is, of course, different, but, yes—one of the things Brad went through was that there was no personal gain in this.

Q179 **John Mann:** With respect, it is not just personal gain. There is a deeper principle there. We may not regard having a lunch or dinner with you as personal gain. We may regard it as standard business. However, in order to remove the danger of someone making any accusation against us of any bias in our decision-making, we therefore declare it. For better or worse, it is on the public record.

It is no good us saying, "Actually, we turned up and Mr Habgood bought us a nice dinner. We would have been very happy with a cup of coffee. We actually gave him a real grilling of the independence of the Bank of England. That is what happened". That is no good if, in that theoretical scenario, we failed to declare. That is the point of declaration, isn't it?

Bradley Fried: I know you were addressing it to Mr Habgood, Mr Mann, but, if I may, the answer is, yes, it is the purpose of declaration. Yes.

Q180 **John Mann:** Therefore, we can agree we have a very serious situation here, because the Nolan standards in public life have been broken. Can we agree on that?

Anthony Habgood: The Code of the Bank has been broken. As to whether or not that is a breach of the Nolan principles, the Nolan principles were built in to various parts of that Code. Whether or not—

Q181 **John Mann:** You said you checked it against them. Earlier, you said you checked it against them.

Anthony Habgood: I said it was consistent with the Nolan principles.

Q182 **John Mann:** The Nolan principles have been broken, then.

Bradley Fried: Of individual accountability—

Anthony Habgood: As I say, I do not know myself. I would not put it in a black-and-white way like that. But the Code of the Bank has, without question, been broken.

Q183 **John Mann:** I am sorry. You worry me again, Mr Habgood, because you are equivocating. You have a Code that has to be based on the Nolan standards—the seven principles or standards in public life. It has to be. That is part of the remit you have. You said it has been checked against it, and it has been. For some reason, you are equivocating. There is no ambiguity. The standards in public life, the Nolan principles, have been breached by Charlotte Hogg by this non-declaration, have they not?

Anthony Habgood: The Code is much broader than the Nolan principles. Obviously, the Nolan principles are behind it, but the Code is much more detailed and covers all kinds of stuff. I am not going to testify that what she did there was in breach of the Nolan principles, but I am agreeing with you that this was a breach of the Code.

Q184 **Chair:** I just want to come back to one point that John Mann was alluding to at one point in his cross-examination. Do you happen to know roughly how many breaches of the Code there are in the Bank of England every year?

Anthony Habgood: The answer to that is no. Off the top of my head, I do not know.

Q185 **Chair:** It might be helpful if we could be told. In the light of this, until further notice, it would be helpful if the Court could supply that information to this Committee on an annual basis.

Anthony Habgood: Sure, yes.

Q186 **Chair:** Thank you. Do you monitor breaches to the point that you are aware of what happens in other cases where the Code has been breached?

Anthony Habgood: Yes.

Q187 **Chair:** What are the customary sanctions for failure to make a voluntary declaration?

Anthony Habgood: Going back to what Brad was saying earlier, it depends on the seriousness of it. In most of the cases, I would expect that to mean that the line manager and the HR department would talk to the individual and make an assessment of that.

Q188 **Chair:** You have some responsibility for ensuring the Code is in good shape. It is a good deal more straightforward than the multiple codes that MPs are required to comply with. These rules can get extremely complex and breaches can often be inadvertent, which is why I had this exchange with you earlier about the possible cause not being wilfulness and possibly being what Jacob Rees-Mogg has described as a consequence of a slack culture. I called it a casual culture and you used a third set of words. The discussion was about it possibly being the combined effect of relative complexity and work overload. We are all very busy, and it tends to get pushed. There is always a risk that these things can be pushed back in the hierarchy of things to do. I realise you have been concentrating on what has been said, but do you have anything further to add to that point about overload?

Anthony Habgood: No, I do not think so. We tried to make the Code simpler.

Q189 **Chair:** I am looking for an explanation, and there must be an explanation. If it is not wilfulness, it has to be something else. You are very strongly asserting that it is not wilfulness and I have no reason to challenge that at all. I am asking you for a possible explanation.

Anthony Habgood: Can I be sure that it is not wilfulness? Of course, I cannot be sure.

Q190 **Chair:** No, but you described it as possible. I am asking you whether you think that it is plausible or likely that it might have not been given the priority that it should have been because of the burden of lots of work.

Anthony Habgood: It feels as if it was not given the priority that it should have been.

Q191 **Chair:** I am asking you for a plausible reason for that, since you have rejected all three that I have posited.

Anthony Habgood: It is probably a combination of all of these things, as these things often are.

Q192 **Chair:** Not wilfulness, however.

Anthony Habgood: Not wilfulness, no. Sorry.

Q193 **Chair:** Which factors are the main ingredients of the combination?

Anthony Habgood: I alluded earlier to the thought that she did not feel that her brother was in a position that was important, which is wrong because it should not be her making that judgment.

Q194 **Chair:** It is a misjudgment.

Anthony Habgood: That is a misjudgment, yes. It is then a priority and all of that, and you would have thought it would be higher up her list of priorities since she was involved in the development of the Code.

Q195 **Kit Malthouse:** First of all, please forgive my interjections. Most of the questions that I was whispering about got answered. I want to take you back a little. I am just a little unsure about the sequence of events, if I could just go through that. As I understand it, you, Mr Habgood, had seen Ms Hogg's questionnaire before she came to the hearing.

Anthony Habgood: I did but I did not read it.

Kit Malthouse: Sorry?

Anthony Habgood: I did see it but I did not read it. It was not a priority for me to read the questions that she was going to submit to you.

Q196 **Kit Malthouse:** Right, so she sent you a copy but you had not read it.

Anthony Habgood: That is correct.

Q197 **Kit Malthouse:** But you watched the hearing, and when she said this was declared, the balloon went up in your mind that this was a problem.

Anthony Habgood: It felt like an uneasy interaction.

Q198 **Kit Malthouse:** Then you spoke to Mr Fried and I think you also spoke to her on the Tuesday afternoon.

Anthony Habgood: Yes. I certainly spoke to her that day. I speak to a lot of people who come to these hearings if I watch the thing.

Q199 **Kit Malthouse:** Did you speak to her specifically about that issue?

Anthony Habgood: My recollection is, yes, it was about the conflict issue, because it was a point of unease in that discussion.

Q200 **Kit Malthouse:** What did you say?

Anthony Habgood: Oh my goodness, I do not remember what I said at that time.

Q201 **Kit Malthouse:** Did you say, "You'd better check, Charlotte"?

Anthony Habgood: Yes, certainly. "We will check". I cannot remember whether, by then, I had already spoken to the company secretary and asked him to check or not. I cannot remember the exact order of those things. When something like that feels a bit uneasy, you would expect it.

Q202 **Kit Malthouse:** She had already spoken to the company secretary; is that right? She said in her evidence that she had discussed her questionnaire with the company secretary.

Anthony Habgood: Earlier on, yes.

Q203 **Kit Malthouse:** Therefore, they would not have necessarily had her declaration in front of them while they were doing that meeting. The company secretary would not have thought, "Oh my god, you have not declared this before".

Anthony Habgood: That does not appear to have happened. That is correct.

Q204 **Kit Malthouse:** Post the revelation and the checking and the letter, not a lot else has happened. There has been no verification of what her brother actually does. I am just trying to be clear in terms of the process. There was no verification of what he actually does, other than he was broadly in strategy but has moved on.

Anthony Habgood: That is my recollection of what we had on that, but I am sure Charlotte would have got chapter and verse on that.

Q205 **Kit Malthouse:** Essentially, therefore, the conclusion of the Court is that you are giving her the benefit of the doubt.

Anthony Habgood: Did you say the conclusion is that we will give her the benefit of the doubt?

Kit Malthouse: Yes. There is no action, no nothing; "The letter is enough and we will give her the benefit of the doubt".

Anthony Habgood: The Court has not met on this subject. The appropriate channel, as I say, is for her line manager and the head of HR to look at it, and that means the Governor.

Q206 **Kit Malthouse:** Is it not a relevant matter for the Court?

Anthony Habgood: Of course it is relevant but, as I say, we have around 4,000 people and these processes go through to the line manager and HR in order for them to assess their seriousness.

Q207 **Kit Malthouse:** The Governor's conclusion is to give her the benefit of the doubt. That is what he has communicated to you. You effectively indicated in the meeting that nothing will happen other than "we will all regret this".

Anthony Habgood: What will happen is what would have happened if we had known this all along, which is that, at the first proper meeting of the PRC and the FPC in particular, this will be discussed and they will decide whether or not this constitutes the sort of conflict or potential conflict that should cause her to recuse herself.

Q208 **Kit Malthouse:** Separate from the conflict, you are saying that the omission will not be considered by anybody then, other than the Governor.

Bradley Fried: The consideration is ongoing, as we see from this and from the idea that it will certainly be discussed at the next Court meeting. The line manager, in that case the Governor, and the HR director have both discussed with Charlotte. The HR director has concluded in the round that, from a Bank perspective, there was nothing wilful and that, other than a stern discussion, it does not warrant further action. Clearly, this matter is not over. The letter has just been put into the public arena and the Court will discuss it, but that discussion with the Governor and the HR director happened immediately, as we would have expected.

Q209 **Kit Malthouse:** Have either of you had a conversation with the Governor about this matter?

Bradley Fried: Yes.

Q210 **Kit Malthouse:** What was said? What was his conclusion?

Anthony Habgood: I spoke to him yesterday. I had spoken to him on the phone before that, but I talked to him in person yesterday about it. He said he was going to see her and have that discussion.

Q211 **Kit Malthouse:** Was it a revelation for him too? I think you used the word "revelation", Mr Habgood.

Anthony Habgood: Was what a revelation? Was it a revelation that she had not declared this?

Kit Malthouse: Yes.

Anthony Habgood: Yes, that was a revelation.

Q212 **Kit Malthouse:** Was her brother's job a revelation?

Anthony Habgood: I do not know whether he knew that he worked for Barclays.

Q213 **Kit Malthouse:** Right. She said to us in evidence, "I have always declared, from the moment I joined the Bank, all of my potential conflicts of interest". We know that now not to be correct. "I would be more than happy to discuss it with Mark if he wants to. I am pretty sure he is aware of it". Did he say in his conversations with you, "I have known about this all along"?

Anthony Habgood: He did not say that to me and I do not know whether he knew about that all along. In a sense, I do not think it matters because she should have declared it, and it is no good saying it to a busy person like Mark, even if she did. That is not complying. It is better than not saying, but it is not complying.

Q214 **Kit Malthouse:** That is true. I do not know whether you knew that her brother worked at Barclays.

Anthony Habgood: I did not.

Q215 **Kit Malthouse:** She is implying that he did and therefore, in the meetings where, as we have discovered, sensitive commercial matters might have been discussed about Barclays specifically, he presumably was comfortable with her being there at the meeting despite this knowledge.

Bradley Fried: That would not constitute compliance from our perspective.

Q216 **Kit Malthouse:** Why not?

Bradley Fried: Compliance cannot be a corridor conversation with anybody, certainly not in any institution that I have seen. Compliance is a very formal way of making disclosure, and the manner of the disclosure is in the Code. The way in which you make a disclosure in the Code means that it can be in writing or in an electronic format.

Q217 **Kit Malthouse:** I understand that, but the normal parliamentary practice in a meeting like this, if I had a declaration of interest that I had declared, is that I would draw the Committee's attention to it. Do you have that in meetings as well?

Bradley Fried: We have it frequently.

Q218 **Kit Malthouse:** She would have sat in meetings where commercially sensitive matters to do with this specific bank might have been aired, and none of you ever heard her declare or draw your attention to this declaration, which she thought she had made but actually had not.

Bradley Fried: That goes back to Mrs Goodman's first point.

Kit Malthouse: Yes.

Bradley Fried: That was the point she led with. The answer is that, no, we have not heard her make those declarations.

Kit Malthouse: Right, okay.

Q219 **Chair:** Just before we move on, one of the points we began with was that this was not just one failure to declare but that it had happened on multiple occasions. We went back and I asked you and you thought it was two or three occasions. I have the documentation in front of me that she was required to comply with when she joined the Bank as well, so that would make an additional one. What you are saying, however, as I understand it, in the exchange you have just had, is that she would have had a not particularly oblique reminder as she watched other people performing this function right in front of her.

Bradley Fried: Yes.

Q220 **Chair:** After all, if you see a neighbour sitting right next to you saying, "I have got something to declare", you might think, "Oh, I wonder whether I have got something to declare".

Bradley Fried: Chairman, can I be absolutely crystal clear about this? I have seen multiple recusals for multiple reasons, and not one of those reasons has been because of a brother, sister, auntie, uncle or cousin. I have not seen a recusal for that reason.

Q221 **Chair:** You have moved it up a rank here to recusal, but there is a layer below recusal where you explain to the committee: "This is the connection. I have come to a preliminary view that this is not a recusing matter but, of course, I am in the hands of the committee".

Bradley Fried: Of course, and that gets back to Anthony's point in response to Mrs Goodman, which was about the fact that the disclosure should have been made and the judgment was not for Charlotte to make. The judgment would have been, at that stage, for the company secretary and chairman to make.

Chair: The only point I am trying to make is that there have been multiple reminders of various types.

Bradley Fried: They are for very different reasons, mind you.

Chair: There have been multiple reminders of different types going on around Charlotte Hogg over the whole period that she has been in this job. Sorry, Kit.

Q222 **Kit Malthouse:** The last thing for me to ask is to press you a little bit on what happens next. You both obviously are fans of Charlotte Hogg and have said that you think it is immaterial, which I believe was your word, Mr Fried.

Bradley Fried: Subject to correction, I do not think I said "immaterial". I believe I said that it should be looked at in the round.

Q223 **Kit Malthouse:** Right. We can check the transcript but I distinctly remember you using the word "immaterial". I will not argue with you about it. Nevertheless, you are saying that this will be considered by the Court or has to be brought before the Court for consideration.

Bradley Fried: Many executive decisions and operating decisions at the very highest level are brought before the entire Court for discussion. The Court does not claw into executive decisions as a matter of course, but many of these decisions are brought to Court.

Q224 **Kit Malthouse:** This is not a decision; this is executive conduct.

Bradley Fried: I beg your pardon?

Kit Malthouse: This is a matter of executive conduct.

Bradley Fried: Correct.

Q225 **Kit Malthouse:** Presumably the Court considers matters of executive conduct.

Bradley Fried: It does. It looks at executive conduct and it looks at the decisions made by executives as well.

Q226 **Kit Malthouse:** In terms of the Court's next meeting, have any other non-executives been in touch about this matter? Have there been discussions between small groups about it?

Anthony Habgood: We have not had a meeting with non-executives or anything.

Q227 **Kit Malthouse:** No, but has anybody rung you up and said, "Good grief, Anthony, we had no idea"?

Anthony Habgood: No.

Q228 **Kit Malthouse:** As far as you are concerned, they are in the same situation as you, which is that they are, broadly, perhaps a bit upset about it and grumpy but nothing beyond that.

Bradley Fried: You have asked how we feel. It is not simply a question of being grumpy or disappointed. Clearly we have an issue now around optics and we hope that can be resolved but, clearly, it is not just a question of how we each individually feel. We will discuss this in full Court when the Court convenes.

Q229 **Chair:** Can you just unpack the phrase "an issue around optics" so that we can all have that in mind?

Bradley Fried: I will, Mr Chairman. It gets to the point that you made during Ms Hogg's hearing, where you pointed out, very straightforwardly, that the judgment as to disclosure and her view of the relevance of her brother's role or indeed his level at Barclays or anything he did at Barclays was not for her to make; the mere idea that he worked at Barclays in a position of relevant importance was, at minimum, a point of optical conflict, which means that it could be perceived as a conflict even if it was not a conflict. That is what I mean by the optics of a conflict—nothing more than that.

Q230 **Chair:** What is the issue around the optics that you now have to consider?

Bradley Fried: The lack of disclosure.

Chair: The process is just about to begin.

Bradley Fried: No, the process happened through the Governor and through the head of HR, and we will discuss that in full Court when the Court meets.

Anthony Habgood: But we are not expecting that to recommend the reversal of the appointment, for example.

Q231 **Chair:** What brings you to that conclusion?

Anthony Habgood: The process that Brad was talking about, of having her line manager and group HR look at it, has been concluded.

Q232 **Chair:** Your job is to check that that process is up to snuff. That is why you exist.

Anthony Habgood: We will do that.

Q233 **Chair:** You will do that. It may turn out that you conclude that it is not up to snuff and, therefore, that the decision may need some qualification.

Anthony Habgood: Qualification will come, as I said before, through the committee's deciding what they are interested in.

Chair: We understand that but it seems to me that you are prejudging the process that you are saying that you are about to undertake in Court. It seems you have already decided. Sorry, Kit.

Q234 **Kit Malthouse:** No, that is fine. That is my point in saying that you both seem to be fans and to be treating this in a particular way before it has come to the Court.

Bradley Fried: Can I make two points, Mr Malthouse, on that? Firstly, whether Anthony and I are fans of Charlotte or not is pretty irrelevant in relation to the decision of Court. We may all be fans, but we have to look at the entire process.

Q235 **Kit Malthouse:** Do you not think that the views of the chair and the vice-chair of the Court are influential in the Court generally?

Bradley Fried: They are and they will be very influential, but they are not the only relevant factors. There are other factors: what was the process and what has been gone through? The second point is that all of Court will have to make that decision and all of Court will have to meet on it; the executive and the non-executive will meet together.

Q236 **Kit Malthouse:** You are not binding a decision of Court and it will be considered by the Court of the Bank of England, and they will come to a conclusion about whether or not there should be any sanction in this process, notwithstanding what the Governor and the head of HR have said.

Bradley Fried: We will review the decision of the Governor and the head of HR. The Governor and the head of HR have come to a decision and we will review that. If we are not content, we will make those feelings quite plain. You have correctly recognised that both Anthony and I are, as you say, fans of Charlotte. We think she is a distinctive professional.

Q237 **Kit Malthouse:** Yes, we have heard that. Just finally from me, can I press you a little on John Mann's point? What is the social interaction between you, as members of the Court, and executives? You said you were not at the wedding.

Bradley Fried: I will be absolutely clear for the avoidance of any doubt. I do not socialise with any of the deputy governors—not because I do not like them but just because I do not—nor with the Governor. I have met Charlotte's husband at a Court dinner once.

Q238 **Kit Malthouse:** There are dinners.

Bradley Fried: Court dinners.

Anthony Habgood: Just to be clear, we have dinners before each of the Court things, and those are set up, first, so that the external members of the MPC can meet the non-executive members of Court, and secondly, so that the external members of the PRA can meet. There is also one for the FPC.

Bradley Fried: We are talking across one another. Mr Malthouse is referring to social dinners where spouses or partners are involved. That was in relation to a retirement dinner for Court members that happened about two years ago. That was the last and only time that I can remember.

Q239 **Kit Malthouse:** Was that the only social interaction that you have had?

Bradley Fried: Yes, that I have had. In fact, I think it could have been a retirement dinner for Governor King. I cannot recall exactly. I do not think that there is anything sinister there that one might look for in terms of socialising.

Q240 **Kit Malthouse:** There are no dinner parties at each other's houses.

Bradley Fried: Just to be clear, there have been no dinner parties, no walking dogs or anything like that. This is not a sinister line.

Q241 **Kit Malthouse:** Is the same true for you?

Anthony Habgood: The same is absolutely true for me. There is one social occasion when I went out where she and her husband were involved with something to do with ballet for youthful people. They had some spare tickets and she asked if I would like to come at the last minute, and I said "yes". However, I have had no social interaction whatsoever. I did not know her before I came to the Bank. I hate to do the same as the Chairman here, but I know her mother better than I know her, because she has been chairman of various things when I have been chairman of various things, so we have met in those sorts of things, but not socially at all.

Q242 **Kit Malthouse:** What about the wider family then? Mr Fried, do you have any connections?

Bradley Fried: I will continue this line of thought. I sit on a board with Charlotte's mother. It has nothing to do with Charlotte; it is the FCA board. I have no connections whatsoever socially with the wider family. I have never socialised with the wider family. I am sure it would be a joy to do so but I have not done so. It is very important that I declare unequivocally that my assessments here are not based on any social interaction or social connection whatsoever. They are entirely professional, Mr Malthouse.

Kit Malthouse: We wait with bated breath for the conclusion of the Court, but it struck me during the evidence that your assessments are not based on an awful lot other than a chat with Charlotte and the Governor. You do not know what her brother does. He could be charged by Barclays with strategy towards the Bank of England. We do not know.

Q243 **Chair:** Would you like to have a rejoinder on that point?

Anthony Habgood: My understanding is that there is no such targeting. I do not know the answer to that. We can find out. I suppose the question is: would the knowledge of her brother's position have changed my view as a member of the panel as to her suitability for the role? The answer to that is "no". That is a slightly different question from the omission question.

Q244 **Chair:** That is what I was about to say, yes. For what it is worth, and speaking personally, informal contact of all types, or of a large number of types, and social contact can be extremely valuable in all aspects of one's professional life and can nourish one's understanding of what is really going on, and I would not want anything being said in this hearing to suggest that there needs to be some kind of uniquely rigid set of rules put in place in response to what we are saying.

Mr Habgood, I just want clarification on one point. You would, I take it, assume that it is not only your views that matter or even the views of her line manager but also those of Parliament.

Anthony Habgood: Absolutely, yes.

Q245 **Chair:** Why?

Anthony Habgood: We have tried very hard to increase the transparency of the Bank enormously, partly under your guidance, and we have done lots of things following various reports from this Committee. We have not done everything, I know, but we have moved a long way forward. We have tried to take into account the views of this Committee as we have tried to take into account the views of the general public. We have tried to increase the levels of trust in the Bank and, on the whole, I think we have succeeded in that. We have tried to make the Bank more transparent and more responsive. We are doing that genuinely.

Chair: Yes, and I am very grateful to you for undertaking that work. George Kerevan, and then we might need to meet ourselves privately. Go ahead, George

Q246 **George Kerevan:** I would like to underline that our interest this morning is not to criticise an individual or individuals but to understand the process.

Anthony Habgood: Yes.

Q247 **George Kerevan:** The code of conduct on interests says, "Living within our Code is not simply about observing the letter of the policies referred to … We aspire to set an example of the best in public service". By that test, has Ms Hogg failed?

Anthony Habgood: I can only say again what I have said before. She has omitted something that she should not have omitted, and that is important. Therefore she has not lived up to the Code.

Q248 **George Kerevan:** The Code is about the best in public service. That is what it says. You are the Chair of the Bank. I am just trying to get an assessment of how you stand behind the Code or not.

Anthony Habgood: We absolutely stand behind the Code. It is difficult. Let me tell you why. It is not difficult in the case of Charlotte, because her brother has been in that position all along. However, there are lots of people who have connections—cousins, brothers, sisters, children, whatever—who are changing jobs into firms that should be declared or should not be declared. To be completely sure that you are compliant 100% of the time is extremely difficult.

Do we want our people to be really serious about doing that? Yes, we do. We thought the annual attestation was probably the best way of doing that. That does not help this case but it is serious. I would not want to suggest that at no time would anyone be in breach because, as I say, things change.

Q249 **George Kerevan:** Let me read to you again, because it is important to get this on the record. This is an extract from the Bank of England relationships policy. It begins very clearly with: "Such interests might be personal; a family member, for example, working in a supplier company, a money market counterparty, a regulated institution…" It goes on and it continues to mention families: "Personal relationships of which the Bank would expect to be advised include: parent or child, brother or sister, aunt or uncle, niece or nephew, spouse, civil partner, cohabitee and any other ongoing personal relationship". The Code could not be clearer that family relationships must be reported. Is that true?

Anthony Habgood: Indeed, that is true.

Q250 **George Kerevan:** Ms Hogg failed to do that on several occasions.

Anthony Habgood: She did.

Q251 **George Kerevan:** Right. What effect do you think her non-compliance might have on the rest of the Bank staff and how they view the Code?

Anthony Habgood: Brad touched on this earlier. Of course, it is serious when somebody does not comply, and it is important that one continues to emphasise how important it is to comply. Will that per se create an attitude of cynicism or "I do not need to comply therefore"?

George Kerevan: That is really what I am saying.

Anthony Habgood: Yes, I know. Obviously we will make every effort to make sure that that does not happen.

Q252 **George Kerevan:** What efforts will you undertake?

Anthony Habgood: This Code, as I say, as it is drawn up now, is quite new, and we need to push yet harder at it. It is very hard though, because you are relying on self-assessment. You are relying on people to come forward and say, "During the course of this year, my second son moved from an unregulated firm to a regulated firm", and you have to be on top of that to do that. There will be times when people do not do that, and we have to continue to push very hard. We are a long way forward from where we were some years ago when we did not really have a code. We had a number of codes but—

Q253 **George Kerevan:** Can I ask Mr Fried a question on that point? You used an interesting eulogism. You said that you monitored the followership of senior members of the Bank and that Ms Hogg had a significant followership. Would that influence you on what action you take on her non-compliance?

Bradley Fried: No. It is a factor in the round. I will answer that, again if I can, in the round by picking up on the question you asked Mr Habgood in the first go around. I know I am not allowed to ask a question but can I ask you to repeat, if you do not mind, that first quote that you gave to Mr Habgood?

Q254 **George Kerevan:** "Living within our Code is not simply about observing the letter of the policies referred to in it. They cannot provide for every contingency. We aspire to set an example of the best in public service.

Complying with our Code is about understanding and embracing the principles and spirit behind it".

Bradley Fried: In the spirit of candour, which Mr Baker picked up on earlier, I cannot not put on the record that I believe that this lack of disclosure was inadvertent and unintended. I do not know whether it was due to overload or due to misjudgment. I suspect that it was probably overload and unconscious misjudgment to say, "It is not really important, so let it be".

Q255 **Chair:** It was mainly overload with a bit of misjudgment on top.

Bradley Fried: I think so.

Q256 **George Kerevan:** Are you saying that the Chief Operating Officer was overloaded such that she could not comply with the code of conduct?

Bradley Fried: Let me complete, if I can, Mr Kerevan, my thought. The irony of this all is that I do believe Ms Hogg does live the best of public life, and I think she is a superb public servant. I understand all of this. I understand the non-disclosure. We are living with the disappointment and we are living with the aggravation of it and we need to resolve it. I have to say, however, that it is my personal view that she does live the very best of public life.

Q257 **George Kerevan:** You have got that on the record but your test in the Code is that the best in public conduct is compliance with the Code.

Bradley Fried: Yes, and she failed to comply.

Q258 **George Kerevan:** You have taken it away from the issue of followership, which you raised. You said that the Bank monitors this followership of senior staff and that her followership is significant. Do you not think, therefore, that this error in judgment, mistake or whatever we call it has any great meaning for her and for her followership?

Bradley Fried: I think it has great meaning and this will go down as a watershed moment in Ms Hogg's professional and public life. It has great meaning and it will have tremendous meaning for the organisation, and it will be a pivotal point for compliance in the organisation and for the understanding of the importance of compliance, to get back to Mr Mann's very important point about a healthy reminder of the Nolan principles of public life.

As far as her followership is concerned, when I come to the assessment of her superb professionalism, followership is one factor in that. It is by no means, Mr Kerevan, the only factor.

Q259 **George Kerevan:** Forgive me; I do not for one moment argue against the fact that she has a reputation in the Bank within her peer group. What I am worried about and what I am asking about is that this serious breach of the code of conduct must have some implication for how other staff see the code of conduct. What I am concerned with is the steps that the board will take to ensure that this incident does not reduce compliance with the Code but strengthens it.

Bradley Fried: Your observation is absolutely spot on. This question of compliance and the board's role in compliance is big. As you heard from Mr Habgood, this current board introduced the compliance function and put the Code into one document and one set of processes. As far as the impact of this is concerned, I think Anthony and I would share the hypothesis that this will be a watershed moment for a completely different level of compliance—for all the wrong reasons.

Q260 **George Kerevan:** I want to quote as much as possible from the Code so that we know what we are talking about. It is quite extensive in detailing the personal relationships that have to be recorded by a staff member, including personal dealings, in terms of friendship, with suppliers of the Bank such as banknote printers or caterers. The web is quite extensive.

Bradley Fried: It is very extensive.

Q261 **George Kerevan:** Does the Bank know whether, in reassessing her entry in the Code, Ms Hogg has added anyone else apart from her brother?

Anthony Habgood: She is a cousin of the Hoare banking family.

Q262 **George Kerevan:** Has she now added that?

Anthony Habgood: She has declared that, because she would be anxious to declare it. That is not required under the Code, but why would you not do that?

Q263 **George Kerevan:** Essentially, as you have said before, the Code asks you, as it does with an MP in our code, to put anything that you think is relevant; so she has put in other things.

Anthony Habgood: Yes.

Q264 **George Kerevan:** Right. In that section where the Code is detailing personal relationships, it comes to the conclusion that "doing this will allow us", the Bank, "to ensure that we are not put in situations where close personal relationships might be viewed as affecting our judgment". I take it from that that one of the fundamental reasons for the Code is not simply with respect to the individual making the declaration but to ensure that all levels of the Bank are seen to be acting fairly and not having their judgment clouded.

Anthony Habgood: Yes.

George Kerevan: How does the Court of the Bank feel? How will it respond in this situation to the fact that clearly the process has been compromised, which could lead to external perceptions of how the Bank operates being affected? The issue is not just about Ms Hogg and what she did with the Code but, if the operation of the Code is called into question, it calls into question the Bank and the authority of the Bank and the independence of the Bank. How will you respond to that?

Anthony Habgood: All one can do is to try to turn this, as Brad said earlier, into an experience that is a wake-up call across the Bank and not one of tolerance of laxness.

Q265 **Chair:** We had given the Bank a wake-up call in 2012. What you are saying is that it needs another one.

Bradley Fried: Chairman, would you mind if I had a crack at that one? I would just observe that, in 2011, this Committee issued a report on the governance of the Bank. As I recall, when I joined, Chairman, you mentioned that, in some regards, you felt the then Bank was pirouetting on the head of a pin in relation to some of its governance issues. In 2011, your report was very comprehensive and I think you will find—I guess that today's hearing, had it not been about this matter, would have been about matters of governance—that the Bank is unrecognisable from 2011 in terms of its governance. It is unrecognisable. The wake-up call that is needed here is an operational wake-up call as opposed to a need for a code or a need for compliance.

Q266 **Chair:** The Chief Operating Officer flunked that.

Bradley Fried: For whatever reason, she flunked that.

Q267 **George Kerevan:** There are just a couple of points from Mr Habgood's initial testimony to the Chair that I am uncertain on. When did you first become aware, Mr Habgood, that Ms Hogg had not entered her brother's name in her register of interests?

Anthony Habgood: I am not sure of the exact day and hour of that. I know that I asked the company secretary to check through all the declarations and I talked to her as well. I think both of those were on the afternoon of the hearing. Whether I learnt then or whether it was the day after, I do not know, but it was in that timeframe.

Q268 **George Kerevan:** Having listened to her testimony, you then asked the company secretary to check the register of interests.

Anthony Habgood: Yes.

Q269 **George Kerevan:** You did so because, having listened to her, you thought that her answers were, to quote from the earlier testimony, "a little awkward".

Anthony Habgood: It seemed to me that it merited seeing where we are on that.

Q270 **George Kerevan:** Right. When you discovered the situation, did you then inform Ms Hogg?

Anthony Habgood: I equivocated on the answer to that question earlier, because I cannot remember exactly what that order of events was there. I suspect she would have checked as well, and I am not quite sure whether or not I told her or she told me and exactly when.

Q271 **George Kerevan:** You realise that is quite significant—whether she left this meeting still feeling that what she had put on the record was correct.

Anthony Habgood: I think she left the meeting feeling that what she had put on the record was correct but that she reflected afterwards; whether that was goaded by me or by the company secretary or by her checking back, I am not entirely sure.

Q272 **George Kerevan:** Having heard her evidence, you took the initiative through the company secretary to discover whether her statement of interest was correct.

Anthony Habgood: Yes.

Q273 **George Kerevan:** He might have talked to her subsequent to that.

Anthony Habgood: I would have assumed he would have, yes. I do not know that.

Q274 **George Kerevan:** He could have alerted her to this.

Anthony Habgood: He certainly could have; or she could have alerted him as well. I do not know.

Chair: One of my colleagues has one very brief quick question, which I hope will be capable of being answered briefly.

Q275 **Mr Jacob Rees-Mogg:** Following on from Mr Kerevan's questioning that Ms Hogg has added to her register, has there been a flurry of additions to registers from other people or do you not know about that? If you do not know, could you find out for us? It could be quite interesting in terms of the wake-up call and whether this has woken anybody up.

Anthony Habgood: I am sure there will be one or two extra ones. In fact, I certainly know of somebody who has. It is a daughter who is a political journalist or something. It is just: "Oh my goodness, we had better declare that".

Q276 **George Kerevan:** *inaudible* [12.37.05] journalists?

Anthony Habgood: Yes.

Mr Jacob Rees-Mogg: Do not blame this on journalists.

Anthony Habgood: No, I would not.

Q277 **Mr Jacob Rees-Mogg:** Could you let us know if there are any important ones please?

Anthony Habgood: Yes.

Chair: We should bring this hearing to a close. It has taken longer than expected and we have not even begun to look at the wider governance issues that we had intended to discuss today, and that in itself is regrettable. I do not think most of us have enjoyed this hearing very much; certainly I have not. We are looking at a mistake—in fact a series of mistakes—and the question that we all should examine, which is a question that you have now told us in evidence that the Bank is also examining, is whether the response from the Bank has been proportionate to what has been uncovered.

There are therefore at least three issues that come out of this hearing. One is whether, and if so to what extent, we can make sure that this does not become a case of "do what I say, not what I do" for a very senior person in the Bank. Secondly, there is the need to protect the PRC's reputation in particular, looking ahead, with respect to recusal and other arrangements for declaration. There it would be helpful if we could have detailed information on the handling of recusal by the major committees from you: the processes by which you expect a recusal and information, without names, on the numbers and how that is handled.

The third, much wider issue is what all this says about the role of the Court in the Bank's governance. You correctly said, Mr Fried, that we were involved in empowering the Court to try to perform this role on behalf of Parliament and that it is unrecognisably better. That is what we were hoping to look at today. However, it is an issue to which we had better return at another hearing when some, at least, of the dust has settled on this issue.

We as a Committee now need to digest the evidence that we have heard today, some of which has been a surprise to a number of us—certainly to me—and we need to think very carefully about that. The Committee will now go into private session. Thank you very much for coming to give evidence on what has not been an easy a day as some of us might have hoped.