

28 April 2021

**Final report by the Complaints Commissioner****Complaint number PRA00017***The complaint*

1. On 9 February 2021 you complained to me about the Bank of England's, Prudential Regulation Authority (PRA) investigation of your complaint.

*What the complaint is about*

2. In its final response letter to you dated 18 December 2020 the PRA described your complaint as follows:

*Element One*

You alleged that many thousands of pensioners, including yourself, rely on dividends to supplement their pensions and that "pensioners are the only people in society who have been ignored". You also stated that the decision made "has devastated pension income; a very short sighted, disastrous and callous call."

*Element Two*

You also alleged that there is a "great inconsistency in the BoE Governor's decision to instruct banks not pay dividends in 2020, where banks have been allowed to pay dividends to preference shareholders (predominantly institutional investors), but not ordinary shareholders in which a large amount of private investors invest."

*What the regulator decided*

3. The PRA did not uphold your complaint.
4. The PRA informed you that it gave due consideration to the potential impact the non-payment of dividends could have on retail shareholders (including co-ordinating with the FCA). It also stated that it's decision to suspend dividends

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until the end of 2020 was driven by the need to act in accordance with its general statutory objective.

5. The PRA did not find any evidence of 'bias' in the decision to issue letters to the seven largest systemically important UK deposit-takers. The PRA mentioned the scope of this action, which did not extend beyond ordinary shares, was deemed sufficient to achieve the intended outcome. All ordinary shareholders, both retail and institutional, would be impacted by the action.

*Why you are unhappy with the regulator's decision*

6. In your email to me dated 9 February 2021 you expressed your disappointment in the PRA's decision on your complaint and asked for an appeal of its decision. Your complaint relates to the Governor of the Bank of England deciding to order Banks not to pay Dividends during 2020 and the final dividend for 2019.
7. You have told me the following in relation to your complaint,
  - a. Mr Bailey prevented Banks from Paying shareholders dividends, he allowed the Banks to pay Preferential shareholders (predominantly Institutional Investors), dividends at 9%. This is an overreaction and unfair discrimination against the individual private investor, who in many cases are trying to provide a living income for themselves.
  - b. Since the days of Margaret Thatcher and Tony Blair, both advocated that the general public should take responsibility for their pensions and actively encouraged share ownership. It now appears now that the BoE is now punishing those people for doing the right thing.
  - c. My complaint to the BoE for the discrimination, unfair pressure and practices applied to Banks, by the BoE, in relations to Ordinary Shareholder's investment remunerations, is both illegal and immoral and shows that Andrew Bailey Governor BoE, abused his authority in relation to applying pressure on UK Private Commercial Banks.

*Preliminary points*

8. The Bank of England prudentially regulates and supervises financial services firms through the Prudential Regulation Authority (PRA). As such, it is the PRA

who I shall be referring to throughout this report. They are the correct entity to refer to in relation to your issue of the suspension of dividends and buyback on ordinary shares until the end of 2020 and the cancellation of any outstanding 2019 dividends.

*My analysis*

9. A general review of your complaint shows your disagreement with the PRA's intervention and approach to dividend payments, in response to Covid-19. I understand you feel the Bank of England overreacted and displayed unfair discrimination against the private individual.
10. Given the serious risk Covid-19 posed and the unforeseeable disruption this may have had to the global economy in its early stages, I understand and agree with the PRA's decision making and approach. I think it was difficult for the PRA to predict with absolute certainty, that there would be no harm caused on the financial stability of the firms, as a result of Covid-19. Therefore, I think it was a sensible approach for the PRA to act in relation to the seven banking institutions, to ensure financial stability for the banks through the unpredictable pandemic.
11. As such I do not think that the Bank of England overacted, I would be more concerned had the PRA omitted to act as the stability of the UK financial system came into question.
12. I appreciate you feel that the Bank of England displayed unfair discrimination against the private individual, however I have not found that this was the case. I have looked at all of the evidence the PRA has provided to me and analysed the steps it took, prior to publishing its statement of 31 March 2020 and the letters from the Deputy Governor Sam Woods, to all seven of the banking institutions. Like the PRA, I am required to respect confidentiality. This means that sometimes I cannot report fully on the confidential material to which I have access. However, as part of the Complaints Scheme, I have access to all the PRA's complaints papers, including confidential material. This is so that I, as an independent person, can see whether I am satisfied that the PRA has behaved reasonably. Sometimes this means that all I can say to complainants is that, having studied the confidential material, I am satisfied that the PRA has (or has not) behaved reasonably – but I am unable to give further details. This can be

frustrating for complainants, but it is better that I am able to see the confidential material.

13. Looking at the information I have access to, I am of the view that where possible, the PRA took appropriate steps to work with the banks in considering possible views and/or concerns to the proposals surrounding the dividend payments, share buybacks and cash bonuses. It is positive to see the liaison that took place between the PRA and the banks promoting collective working. So, I think careful consideration was given in this rare scenario and cannot see that the decision making of the PRA discriminated against the private individual specifically.
14. You have told me, ‘...It now appears now that the BoE is now punishing those people for doing the right thing...’ Here you refer to the general public taking responsibility for their pensions and actively encouraged share ownership. The Covid-19 pandemic was and still is, an unprecedented issue providing continued uncertainty. It is clear to me based on the evidence I have seen that the PRA aimed to meet its statutory objectives, by ensuring it was delivering the maximum benefit possible, to ensure the safety and soundness of firms.
15. Given the danger that Covid-19 presented, I think it was appropriate for the PRA to look at the more long-term implications, in ensuring financial stability on a wider scale and in turn provide security and beneficial properties to the economy. So, I am unable to say that the PRA acted in a way that was wholly inadequate and therefore punished those individuals, who have taken responsibility for their pensions specifically in share ownership.
16. You have mentioned in your complaint, discrimination, unfair pressure and practices applied to Banks. You state this is in relation to Ordinary Shareholder’s investment remunerations, being illegal and immoral and shows that Andrew Bailey Governor BoE, abused his authority in relation to applying pressure on UK Private Commercial Banks.
17. As mentioned in this report previously, I am satisfied with the level of engagement between the PRA and the banks. I was able to see the banks were in regular contact with the PRA and chose to take a decision in line with the PRA’s request. As the Bank of England prudentially regulates and supervises financial services firms through the PRA, it therefore has the right, to remind

firms of their powers when they are trying to ensure banks are kept well capitalised. As such there is nothing that I have seen that leads me to believe the banks did not voluntarily act or that the PRA displayed unfair practices or pressure towards them.

18. A review of the case also shows me that the PRA acted within their powers and their authority. The relevant law to mention here is [Section 2B The PRA's general objective](#) which sets out the PRA's general duties and [Section 2I Guidance about objectives](#) which sets out the wider context of the legislation looking at the PRA advancing its general objective.
19. An analysis of the PRA's actions and the law, which is relevant to its powers, shows me that it is highly unlikely that the PRA acted illegally. Further, I cannot see that the Governor Andrew Bailey abused his authority in relation to applying pressure on UK Private Commercial Banks. I have looked at the steps the PRA took, particularly their liaison with the banks, careful planning, consideration as to how other countries and international regulators were tackling the pandemic and the legal advice sought. So again, I am unable to agree that the PRA acted immorally, the Governor abused his authority and applied unfair pressure and practices on the banks.
20. I have also reviewed the relevant parts of the Treasury Committee meeting of 6 January 2021 in concluding my report. In this meeting both Andrew Bailey Governor of the Bank of England and Sam Woods Deputy Governor for Prudential Regulation, gave oral evidence to the Treasury Committee. I am satisfied from this meeting that no abuse of power took place and the PRA did what was necessary to meet their relevant functions, by ensuring the safety of the largest banks. The full transcript of the meeting can also be accessed here: <https://committees.parliament.uk/oralevidence/1473/pdf/>

*My decision*

21. I am sorry to disappoint you in my preliminary report, but for the reasons outlined above, I cannot uphold your complaint.

Amerdeep Somal  
Complaints Commissioner

28 April 2021