

Insights

IS THIS THE END OF THE CAP ON BANKER BONUSES?

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The financial crisis of 2008 saw a backlash against the Banks. This emanated largely from the EU and was implemented by the UK Government. One of the key sanctions, designed to reduce risk taking, was the introduction of a cap on bonuses so that individuals could not receive a bonus exceeding 100% of fixed pay (or 200% of fixed pay if approved by shareholders).

The cap has long been criticised for simply increasing basic salaries and, therefore, unnecessarily burdening the Banks with higher wage costs, instead of providing more targeted rewards for success.

In what the UK Government will paint as a “Brexit dividend” and in an attempt to attract business away from the EU and to the City of London, it is now widely reported that the UK Chancellor of the Exchequer is planning to remove this cap.

Whilst such a move is likely to be politically sensitive, given rising inflation and the squeeze on household budgets, it will undoubtedly be welcomed by the City, which is likely to obtain a competitive advantage over EU financial centres whilst simultaneously being able to manage its salary costs more effectively.

The UK government has yet to make a final decision on this issue, but the mood music suggests that a radical change is imminent.

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