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**Treasury Committee evidence session with Northern Rock and Bradford and Bingley:  
Submission from Public Concern at Work**

Public Concern at Work (PCaW) is the independent authority on public interest whistleblowing. Promoting individual responsibility and organisational accountability are at the heart of the charity's work and PCaW has been instrumental in putting whistleblowing on the good governance agenda. PCaW's approach has been endorsed by the Nolan Committee on Standards in Public Life. PCaW were asked by MPs to develop the statutory framework for whistleblowing, the Public Interest Disclosure Act 1998, which was widely supported by banks who recognised its value as an early warning system

PCaW was set up in response to a spate of disasters in the 1980s and 1990s including financial disasters such as the collapse of Barings' Bank, Enron and Worldcom. These scandals resonate within the recent banking crisis and it appears it is time to refresh and renew some of the key messages from the past. What was clear from the inquiries into the above disasters is that staff knew of the risks and were either too scared to speak up or spoke to the wrong people in the wrong way.

At a time when the banking system is under fire for excessive risk taking and misconduct, with questions on how practices were able to develop unchallenged when staff must have known or been concerned about the risk, now more than ever the principles of openness and accountability must translate into practices in the workplace. It is extremely important that banks and other financial services institutions review their existing corporate governance structure and their whistleblowing arrangements in particular. Only by providing an appropriately supportive environment for staff to raise concerns will Boards and management be able to expect those concerns to surface while they can still be addressed. It is through providing a safe option for employees that management are made aware of what is going on within the firm and can then take appropriate action or correct any misperception.

Now is a good time for those institutions to be reviewing their practices, and instituting appropriate policies and processes where existing arrangements are found to be deficient. The tools with which to undertake this good governance practice are readily available. Earlier this year, PCaW and the BSI launched the Best Practice: *Publicly Available Specification 1998:2008 - Whistleblowing Arrangements Code of Practice* which is available at [www.pcaw.co.uk/bsi](http://www.pcaw.co.uk/bsi). The Financial Services Authority also has guidance for financial services firms on good whistleblowing practice at <http://fsahandbook.info/FSA/html/handbook/SYSC/18> and we would recommend that the FSA consider reminding its regulated entities of the existence of that guidance.

Commitments to the careful review of whistleblowing arrangements by banks and regulators alike will ensure that staff are encouraged to raise any concern about malpractice and that their concern will reach the ears of those in a position to do something about it and will have to answer if they don't. In this way staff will understand that their values count and the firm can demonstrate accountability. In a time of decreased confidence this will play a key role in reassuring investors, customers and the wider public.

A working whistleblowing culture does not fit within a tick box mentality, but rather it is a safety net, which sits beneath and reasserts other policies and risk management strategies. It is an organisation's choice to take advantage of the Act, good whistleblowing arrangements and of the FSA's existing guidance, but much more stands to be gained for an organisation which ensures robust arrangements are in place. Clear messages need to be sent out going forward to enable staff to challenge bad practice, whether this is in the board room or at the local branch. Creating a culture in which that is possible serves the double purpose of a disincentive to malpractice, or if it is already at large, a safeguard against its perpetuation.

We would urge both these organisations to revisit their existing arrangements and further, to ensure that the culture is genuinely conducive to an environment in which staff feel it is safe and accepted to speak up. With such a vested public interest in the two organisations, good governance arrangements should meet or exceed best practice so that both banks are in the strongest position going forward.

Yours sincerely,

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