

Editorial

Money Troubles ...

During an intensive month of campaigning, the *Daily Telegraph* remorselessly exposed misdemeanours of Members of the House of Commons in their extensive expenses scandal. Has the focus shifted?

On Tuesday 16th June 2009 the BBC Radio Four's *Today* programme reported:

'Two Labour peers are under investigation for allegedly abusing the current allowances system, the *Today* programme has learned. Reporter Andrew Hosken examines whether the rules need to be overhauled and how the House of Lords managed, in the main, to keep out of the spotlight during the expenses row.

Andrew Hosken: Gordon Brown's recent statement on constitution reform reflected the concern that the reputations of both Houses of Parliament, not just the Commons, have been tarnished by the expenses scandal. Most Peers don't receive ministerial salaries and can claim overnight allowances for accommodation allowing them to be near Parliament. There are also daytime subsistence and office expenses. In recent weeks noble members of all three main political parties have faced accusations over their allowances.

We've learned that official complaints about two Peers are currently being investigated by Michael Pownall, the Clerk of the Parliaments, effectively the chief administrator here at the House of Lords. Both are accused of wrongly claiming thousands of pounds in overnight allowances. One of them, Lord Clarke of Hampstead, has asked Mr. Pownall to investigate; he has not returned our calls. The other, Baroness Uddin, the first female Muslim peer, insists she has done nothing wrong.

Baroness Uddin: Personally I'd like to say some things, but if you'll excuse me I shall not make any comment about my ...

Andrew Hosken: (over the top of her speaking) In her first interview since the investigation began Baroness Uddin denied that she has wrongly claimed more than £80,000 in overnight allowances. Angus Robertson, an SNP MP, called for her to be investigated over allegations that she declared an empty flat in Kent to be her main residence allowing her to claim overnight subsistence on her London home.

Baroness Uddin: Generally I think it is absolutely right that people are not necessarily saying that they are sure about the rules or anything like that, they are saying that the rules are too loose and that they should be very, very specific so that people's integrity is not compromised or questioned and I think that we should just simply bring the rules up to date.

Andrew Hosken: You already have a home in East London, which is close to Parliament, so obviously there were questions asked about why you would claim a second property outside London, in Kent, as your main residence.

Baroness Uddin: Yes, I mean, I think I know that I will have to explain at

an appropriate time my own personal circumstances about which, obviously, I can't go into. I'd like not to go into otherwise that circumstance would have been in the public arena.'

At this point I interrupt the BBC's account to ask what I think is a pertinent question. It is, how did we get into a situation like this? There are two ladies involved in this interview, as we shall see, and there might be other people. They progressed up the ladder into what has become, without doubt, Britain's biggest quango, the House of Lords, because New Labour saw them as an ornament, as people of achievement. Did those with genuine achievements outnumber the hangers-on? Probably not. In my mind's eye I can see them as earnest young students, or eager young socialists: bright eyed with idealism and hope for truth. Now the BBC lets us hear them, ambition realised. Clanking with mechanical avarice, they sound changed.

To return to the BBC account:

'Andrew Hosken: The SNP has also asked Scotland Yard to investigate a number of other Peers. This includes another Labour Peer, Baroness Thornton, a government minister in the Whips' office. For at least the past eight years Baroness Thornton has declared her main home to be in Yorkshire and for the last three years a bungalow in Shipley purchased by her mother. Since 2002, Baroness Thornton has claimed overnight allowances totalling more than £130,000 by declaring the home she shares with her husband in North London is a second property needed to help her attend the Lords.

I visited the Shipley bungalow near Leeds and spoke to Baroness Thornton's mother. She told me her daughter stays each weekend, arriving around Friday lunchtime and leaving on Sunday afternoon.

We have made several attempts to talk to Baroness Thornton.

"Hello, is Baroness Thornton in?"

She declined to talk to us and sent us a statement saying she has resented reports that she is using the address in Shipley to feather her nest. She added, "My husband and I have always intended to make our home here in Yorkshire, as our children grew up and we could do so." Although she insists she shares the ownership of the house in Shipley there is no record of this on the current Land Registry.

We spoke to Christopher Dickson, Executive Counsel to the Accountants' Disciplinary Scheme and formerly the number two at the Serious Fraud Office.

Christopher Dickson: Any potential offence would be under the Fraud Act. That requires three things to be proved. First it requires you to prove that a false statement has been made, an untrue statement. Secondly that the person who has made the statement has gained. And, thirdly that it's been done dishonestly.

Andrew Hosken: In terms of this particular case that we have shown you, Baroness Thornton, do you think that there are questions that some would need to answer?

Christopher Dickson: Yes. It does seem to me that if you apply those three tests there is something for the police to investigate. First of all, it's questionable that it is a true statement, that someone who has what appears to be their principal home in London, can properly claim overnight allowance for living in London. Secondly, the person who has done that has undoubtedly gained in the sense that they've received the overnight allowance on, no doubt, many occasions. And finally, certainly there's an issue to decide as to whether it has been dishonestly done or not. Difficult to see how that could be done honestly if one knew that one's principal residence was in fact in London.

Andrew Hosken: Most of the 738 Peers do not receive salaries and can claim allowances and office expenses. Over the years, according to several Peers, the impression has been given by the Finance Department for the Upper House that allowances should be considered as a type of salary in lieu. Baronesses Thornton and Uddin are far from being the only Peers to face questions about allowances. Baroness D'Souza is the Convenor of the crossbenchers, with more than 200 members, the second largest grouping in the Lords after Labour.

Baroness D'Souza: There is a pervasive understanding that because no salary is paid the allowances can be claimed in full. I think there is a problem there because some people interpret it one way and some people interpret it another way. What I think has happened, and this is across the House, is that there are some very few cases where people have claimed a London allowance for staying overnight and claiming that their main house is outside London when that is patently not true and perhaps they only own one house and that is a London house. Because if you live within the M25 you are not liable, you can't claim the allowance.

... **Andrew Hosken:** The wind of change is blowing as much along the red benches as the green. Transparency as well as the power to sanction errant Peers are the likely results. In the meantime, the findings of the enquiries into the two Labour Peers will be handed to the Lords' Privileges Committee for further consideration.'

Here on a thumbnail is the problem of House of Lords allowances. The Peers in question have clearly come to believe that their allowances may be deemed to be payable in lieu of a salary. Since there are 736 persons who are similarly 'entitled', this could add up to a not inconsiderable charge on the public purse. Happily, it is assumed that many Peers do not avail themselves of this largesse. But, if the conduct of other Members of Parliament, in the Lower House, is anything to go by, then it may be assumed that many do.

A week or two earlier, the appropriate disciplinary authorities suspended two members of the House of Lords because they had been found to be plying for hire, as advisors on how to modify inconvenient laws. How many other consultants, cleverer perhaps, have avoided this charge whilst still profiting from the sale of their services?

There would be a remarkably simple cure for all these problems, and all the

related questions to which they give rise. We should abolish the House of Lords. Few would notice. None of the necessary functions of that body need be neglected, since all could be discharged, with a limited effort, by other responsible agencies within the system. There would be a certain cost in flummery, since the occasion for dressing up might be diminished. It could, of course, be devolved to school drama classes. But people who speak about modernising British institutions do not normally mean that the Speaker of the House of Commons should cease dressing up in a golden frock with a long train, or that various able-bodied persons should process in front of him or her without various beknobbed sticks and other insignia of bygone times. Perhaps we could manage without the processions themselves, as well. The savings might not be large, but reductions in the cost of regalia present other advantages. They diminish the gap between representative institutions and the

Macavity's Not There

Macavity's a Mystery Cat: he's called the Hidden Paw –
 For he's the master criminal who can defy the Law.
 He's the bafflement of Scotland Yard, the Flying Squad's despair:
 For when they reach the scene of crime – *Macavity's not there!*

According to the *Daily Mail* Tony Blair 'dodged possible fire over his housing deals after hundreds of expenses claims were "accidentally shredded"'. The newspaper reported that Commons officials had destroyed these papers 'by mistake'. They covered the period when he claimed for his Constituency home, Myrobella, in Sedgefield, County Durham.

Picking up on this report, the *Sunday Times* alleged (May 18th 2009): 'The documents ... were destroyed in the midst of a legal battle over whether they should be published'. The *Sunday Times* insists that it is a criminal offence to destroy documents which are the subject of disclosure claims, but, they claim: 'Westminster officials say they were unaware that the files were the subject of a legal challenge. They insist they were destroyed by mistake'.

The *Sunday Times* had requested (in January 2005) sight of Blair's claims for £43,029 of public money covering his expenditure over three years. The shredding came to light after the failure of a High Court appeal to block disclosure of the expenses of fourteen Members of Parliament, including Blair and Margaret Beckett, the former Foreign Secretary.

And when the Foreign Office find a Treaty's gone astray,
 Or the Admiralty lose some plans and drawings by the way,
 There may be a scrap of paper in the hall or on the stair –
 But it's useless to investigate – *Macavity's not there!*
 And when the loss has been disclosed, the Secret Service say:
 'It *must* have been Macavity!' – but he's a mile away.

Macavity – The Mystery Cat by T. S. Eliot

people represented. All that dressing up is calculated to generate awe, and a misguided sense of respect. But if we respect people because they can parade in outlandish clothes, we are not ourselves enhanced in the process. A previous reformer understood this very well when he told his henchmen to get rid of the mace. 'Take away that bauble', he said. They did, and the heavens did not fall.

When we come to consider the earthquake which has carried away the good name of the House of Commons (if such there ever was), we encounter something more like a crisis than the exposure of wrong-doers in the House of Lords. But we should consider briefly what the endless scandals reported in the *Daily Telegraph* really represent.

One Member of Parliament spent a certain amount of taxpayers' money on mowing his lawn, shuttering his windows, and acquiring garden benches upon which to disport himself. It is difficult to justify the thought that any of these costs might be incurred in pursuit of Parliamentary duties. But they have aroused widespread outrage among his constituents, some of whose jobs are in jeopardy, and some of whose houses may indeed be repossessed in the current economic stringency. That garden bench has become an object of fury among people, and yet that garden bench is petty pilfering compared to the wholesale villainy which has raged through our banking system, as the banks have been part-nationalised or rescued, and the pension pots of their ex-directors have overflowed.

Our betters argue that the banks had to be rescued to prevent a widespread economic collapse, with a consequent meltdown in society. It was a truly Fabian gesture to cushion the fall of various chairmen with such generous cash provisions. This would guarantee a wretched form of continuity, by assuring those in authority over our money that their vital interests would not be jeopardised in the necessary effort to keep the system running. This was not easy. As George Soros told us:

'There are two features that I think deserve to be pointed out. One is that the financial system as we know it actually collapsed. After the bankruptcy of Lehman Brothers on September 15th, the financial system really ceased to function. It had to be put on artificial life support. At the same time, the financial shock had a tremendous effect on the real economy, and the real economy went into a free fall, and that was global.

The other feature is that the financial system collapsed of its own weight. That contradicted the prevailing view about financial markets, namely that they tend towards equilibrium, and that equilibrium is disturbed by extraneous forces, outside shocks. Those disturbances were supposed to occur in a random fashion. Markets were seen basically as self-correcting. That paradigm has proven to be false. So we are dealing not only with the collapse of a financial system, but also with the collapse of a worldview ...'¹

It was also a Fabian gesture to allow such generous allowances to our chosen representatives. This could enable them to posture as patriotic wage freezers instead of the beneficiaries of inflated pay awards. It becomes apparent that they denied themselves salary increases because their private allowances would offer full compensation for their public sacrifice. Mrs. Thatcher inserted the thin end of this wedge, which was, as befits him, opened greatly wider by Tony Blair:

‘TONY BLAIR and accountants PricewaterhouseCoopers jointly helped push through a rule change in 2004 that brought the MPs’ expenses scandal to the heart of government. Without Blair’s new rule, explicitly designed to boost ministers’ expenses, many of the current frontbench embarrassments would not now be an issue.

The Senior Salaries Review Board (SSRB) looked at MPs’ pay, using a survey of MPs prepared by PwC, and the firm was happy to support a point that *Private Eye* understands was pushed by the then prime minister. Its report said: ‘There were comments made about the rules which require ministers and other paid office holders to elect their London residence as the main residence and the constituency as their second property. The rules mean that the ACA [Additional Costs Allowance] is used against costs on a property which in many cases has been owned by the MP and his or her family for a significant number of years and where the mortgage is typically low.’

The report makes it clear that ministers had complained that because they were deemed to live in London, they could not ‘flip’ homes in order to claim higher expenses; they could only claim on their generally cheaper properties outside the capital. According to the review board, the rule was dropped in February 2004.

Hazel Blears’ property ladder, Maria Eagle’s flipping, Caroline Flint’s new London flat, the bulk of Shahid Malik and Shaun Woodward’s expenses and Kitty Ussher’s war on ‘bad taste’ swirly Artex paint finishes all depend on the 2004 rule change, as do the bulk of Gordon Brown’s own additional costs claims ...

The former PM’s support for the change was no random act of greed (indeed, Blair did not personally use the change to raise money himself, relying instead on a complex mortgage transaction on his constituency home.) He was actually trying to increase his ministers’ income while publicly appearing to keep a lid on their headline pay...’²

But now that the truth has begun to escape, popular support for our Members of Parliament has diminished to a remarkable, if not astonishing degree. What is truly astonishing is that they have remained immune to criticism for so long, various wars notwithstanding. There is, indeed, a constitutional crisis on top of the turmoil in the economy. What these baleful events have done is to present us with an interaction, in which one

crisis feeds another, and vitiates attempts to meet both. All the institutions of liberal capitalism are in jeopardy at the same time. Members of Parliament, lacking public confidence, are in no position to lay down the law to errant bankers, who can more or less deny any authority to legal initiatives of which they disapprove. Deepening slump still further aggravates the withdrawal of public trust in politicians. This was the context in which Sir Christopher Kelly, Chairman of the Committee on Standards in Public Life, who is inquiring into MPs' expenses, lamented:

'There can be no doubt about the extent of public anger at the way in which arrangements for the reimbursement to MPs of the expenses they incur in performing their public duties have been exploited for personal gain. Those feelings are shared by many MPs as well. It is our task to design a new set of arrangements which supports Members of Parliament properly in the performance of their very important duties, both in Westminster and in their constituencies, but does so in a way which is beyond reproach so that shattered trust can begin to be restored.'

A great deal has been said about the difficulties in which the Prime Minister finds himself. It has been pointed out that he cannot sack the Ministers with whose services he wishes to dispense, and he cannot appoint those whose help he thinks he needs. Of course not. Very minor shifts in such appointments could annul his Parliamentary majority, if quite modest measures of accountability were imposed on the wrongdoers by whom he is surrounded. Will the electors accomplish what the Parliamentary leaders have not? Can the main transgressors be removed by the vote? And, if they were, what would that leave of Parliamentary discipline amongst their replacements?

Who can stand forward as the voice of rectitude in this gathering moral shambles? It is political organisations, fuelled by patronage and shot through with corruption, that have arranged in Britain a semblance of order, ever more fractious and unstable, but none the less apparently permanent. What happens when people can see the unpleasant truth? Can the centre hold? Who hopes that it might? It has been a thieves' kitchen. That the pilfering was mainly petty does not the more commend it. The conviction begins to grow that it is time to start all over again.

Ken Coates

References

1. *New York Review of Books*, 11 June 2009.
2. *Private Eye*, 29 May 2009.