Stop bank dividend payouts, Andrew Bailey told

Central bank body joins Europeans in plea to conserve cash

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Jes Staley, of Barclays, stands to be paid dividends of £317,000

Andrew Bailey, governor of the Bank of England, came under fresh pressure last night to put a stop to £7.5 billion of dividends due to be paid out by British banks over the next few weeks.

Agustín Carstens, head of the Bank for International Settlements — known as the central bank for central banks — called for a global freeze on dividends in the sector. On Friday the European Central Bank ordered eurozone lenders to cancel all dividends until at least October.

In an appeal for action by supervisors to ensure that lenders are equipped to push out the huge amount of extra credit needed to keep companies afloat, Mr Carstens said: “Banks should be part of the solution, not part of the problem.”

Earlier, Sir John Vickers, former chairman of the Independent Commission on Banking, told *The Times*: “For the sake of the health of the financial system, dividend payouts by banks should now be totally out of the question. I’m surprised the Bank hasn’t yet put a stop to them. It should do so at once.”

With Barclays due to pay out £1.03 billion this Friday, the Bank of England would have to move quickly to prevent the outflow. Robert Jenkins, a former Bank financial policy committee member, said yesterday that the payout would hinder Barclays’ ability to lend as much as £20 billion to £25 billion to struggling firm businesses and households at a critical time. He has called for a ban on dividends.

The chief executives of about eight banks will meet officials from the Financial Conduct Authority today to discuss ways to improve service to customers. The talks are expected to include bonuses and dividends, as regulators want banks to retain their financial firepower to help customers.

One former senior regulator said that it was puzzling to see the inaction of the Bank and the Prudential Regulation Authority, its supervisory division. A co-ordinated ban by all the biggest central banks would be better, the source said.

Any backtracking on dividends, however, would be likely to infuriate shareholders because Britain’s banks have been paying out billions of pounds in cash bonuses to executives and staff over the past few weeks. Jes Staley, chief executive of Barclays, has been paid a cash bonus of £395,000 in the past few days, while other executives and employees have been paid cash bonuses of £1.01 billion since March 1.

Tim Bush, head of governance at Pirc, the shareholder advisory group, said, “Companies cancelling dividends create a pay issue where management bonuses and incentive plans for 2019 have paid out when the final dividend for 2019 hasn’t.”

Last night, Barclays was still planning to go ahead with its 6p-a-share dividend, which is due to be followed by payments of $4.2 billion by HSBC on April 14, £968 million by Royal Bank of Scotland on May 14 and £1.58 billion by Lloyds Banking Group on May 27.

While all of them looked comfortably capitalised at their year-ends on December 31, their potential strength could be seriously reduced by the economic slump.

Mr Staley personally stands to be paid dividends of £317,000 on Friday because of his holding of 5.3 million Barclays shares. He also owns another 7.2 million shares, but these have not vested and do not qualify for dividends. Any decision on pulling the dividend would be for the full board.

Agustín Carstens has called for a global freeze on dividends

Barclays would face a particular legal problem in cancelling its dividend because the record date — the moment when a shareholder ceases to qualify for a declared dividend — has already been passed.

To cancel now would put every shareholder who has sold between the record date and now at a disadvantage.

On the other hand, accounting regulators have made plain that dividend payers should exercise great caution.

Mr Carstens, in an article on FT.com, said that banks should be drawing on their capital reserves to make more credit available. “To boost lending capacity further, we need a global freeze on bank dividends and share buybacks,” he said. The BIS in Basel is owned by the world’s central banks and is highly influential in setting capital rules.

The promised dividend largesse by the big British clearing banks stands in stark contrast to much of the rest of UK business, with more than £4.2 billion of promised dividends cancelled or postponed by more than 100 companies in the past two weeks.

Barclays believes that it is financially strong and well diversified and should go ahead with the dividend. The Bank of England and Barclays declined to comment.