Yet another massive error of judgement by Darling

Published: January 13, 2026, 12:10 am

As the FT has noted:

Alistair Darling is to set up a review of bank practices, including pay and corporate governance structures, as he attempts to assuage a wave of public anger over bonus payments to bank staff worth hundreds of millions of pounds.

The chancellor said on Sunday that the review would look at risk management by boards including how pay affects risk taking; it would also look at the way boards operate and the role of institutional investors.

Why? As the Observer noted yesterday:

There are, broadly speaking, two views of the huge salaries and bonuses that bankers have been paid in recent years and that many expect to be paid again this year.

The first is that those salaries and bonuses were rewards for excellence. They should still be paid so that formerly excellent private bankers can continue to be excellent in the employ of partly state-owned banks.

The second view is that the bonus culture encouraged short-term risk and irresponsible behaviour, leading eventually to the banking sector's near collapse and rescue by the state. With the taxpayer now in charge, the bonuses must stop.

The first view is held by a majority of bankers themselves; the second by pretty much every other rational person in Britain.

What is baffling, then, is why the government has seemed unable to exert any power on this matter despite having majority opinion and moral authority on its side.

So what has Darling done? He's appointed a banker. One of the first group. For God's sake, WHY?

And not just any banker. As the Guardian notes of Sir David:

The man heading Alistair Darling's review into banking, Sir David Walker, is a leading City grandee.

He started his career in the Treasury in 1961, when Harold Macmillan was prime minister, and moved into investment banking after a lengthy spell with the International Monetary Fund in Washington.

He has been the City's top regulator, a director of the Bank of England and earned millions as chairman of investment bank Morgan Stanley.

In 2007 Walker was commissioned to produce a report into the then hugely controversial private equity business. His findings, which urged greater transparency, pleased no one: they were rated toothless by unions, while private equity dealers thought they were being unfairly picked on.

They may, however, provide an insight into what Walker's conclusions on bankers' pay might be. He described media interest in private equity pay levels as "prurient" and insisted pay disclosure was "unenforceable" because big earners would move offshore to escape scrutiny.

So he's appointed a banker to review bank pay when it is absolutely obvious to 99% of the population that a banker is the last person who should have the job, has given him a year to do what most would expect could be done in a week, and has guaranteed that the report when published will cause him considerable political harm, the country untold harm and will consign him to the back benches forever, even if he gets re-elected.

I despair.

Again.