

Diamonds aren't forever

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Bob Diamond has resigned from Barclays in the last hour.

Except, as his resignation statement makes clear, he didn't as such resign: he was pushed and he admits it.

George Osborne seems to think that this brings the banking crisis to a close, based on deeply partisan comments made on Radio 4 this morning. But that's wrong for a number of reasons.

First, the fact that Diamond did not resign immediately but had to be pushed shows that there has been no change in culture at Barclays, or no doubt anywhere else in the City. This was a purely market driven decision. Morality and responsibility had nothing to do with it.

Second, a man who has already resigned for his part in this scandal is now appointing the new chair of Barclays, assisted by a man who was senior partner of KPMG at the time it was fined \$455 million in the USA for selling abusive tax schemes. There's no hint of reform there.

Third, it is very clear George Osborne is now going to use this as an excuse to say the problem has been solved, the issue has gone away and let's move on. But that's not true. The problem was not particular; the problem was systemic. And that's why a judicial review of banking remains vital, as do the reforms I mentioned yesterday.

Fourth, there is now a clear need for Osborne and Balls to drop the party rhetoric on this. I'm bored by Osborne saying Labour got regulation wrong when until 2008 the Tories (led by Osborne) opposed all Labour regulation as a matter of principle. And Labour can't say this all happened on the Tories watch: Labour made the mistake of believing bankers are honest but some of us didn't because we saw what they did offshore and knew that was not possible unless the whole structure was corrupted to the core. That was an error of judgement on Labour's part, even if one many made, and which the Tories still seem to make.

So let me put it another way: we have clear evidence of a culture of corruption in our most important current service industry. It's clear that Diamond resigning has changed nothing. One scalp will not change that culture: hundreds, if not thousands knew of this and the clear suggestion that the Bank of England knew and even by implication endorsed this behaviour now exists, meaning that the culture extended into the organisation now meant to regulate the system. Nothing less than a full review - and sweeping reform will change that.

Banks must now be split.

Vastly greater government control is needed.

But so are new people on the boards of these banks who can be shown to have the moral leadership to drive a process of reform.

And Osborne has said nothing at all about that. In other words, he's not willing to change the spots on banking, and nothing else will do if anything is to really change.