

Who has the most to answer for on Barclays after the bo...

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Who is most responsible for Barclays? Well, without doubt the directors of Barclay, a body in whom I am sure the public has remarkably little confidence. That's where the buck stops, of course.

But when a bank is about to implode so badly that the chairman, chief executive and chief operating officer all feel it necessary to resign within 24 hours is there anyone who has a duty to give a warning? The answer is "yes", of course. The auditors do. That's PWC in Barclays case.

The Barclays 2011 annual results [are here](#) - not the easiest things to find on their website - strangely.

Note the index on page 1 - it says the section on risk management starts on page 67. It ends on page 159. That's a lot of risk.

The search LIBOR. It only gets five mentions. The first is a technical entry on asset pricing - on page 234. The next is on page 249. It says, almost as an afterthought and as the last paragraph in the note on legal proceedings:

In addition, the Bank has been named as a defendant in a number of lawsuits, including class actions, filed in US federal courts involving claims by purported classes of purchasers and sellers of LIBOR-based derivative products or Eurodollar futures or option contracts between 2006 and 2009; further details are provided on the following page.

The following page gives a little more detail. But note this is page 250 out of 283. That note says:

London Interbank Offered Rate (LIBOR), the FSA, the US Commodity Futures Trading Commission, the SEC, the US Department of Justice Fraud Section of the Criminal Division and Antitrust Division and the European Commission are amongst various authorities conducting investigations into submissions made by Barclays and other panel members to the bodies that set various interbank

offered rates. Barclays is co-operating in the relevant investigations and is keeping regulators informed. In addition, Barclays has been named as a defendant in a number of class action lawsuits filed in US federal courts involving claims by purported classes of purchasers and sellers of LIBOR-based derivative products or Eurodollar futures or options contracts between 2006 and 2009. The complaints are substantially similar and allege, amongst other things, that Barclays and other banks individually and collectively violated US antitrust and commodities laws and state common law by suppressing LIBOR rates during the relevant period. Barclays has been informed by certain of the authorities investigating these matters that proceedings against Barclays may be recommended with respect to some aspects of the matters under investigation, and Barclays is engaged in discussions with those authorities about potential resolution of those aspects. It is not currently possible to predict the ultimate resolution of the issues covered by the various investigations and lawsuits, including the timing and the scale of the potential impact on the Group of any resolution.

That, though was not considered a matter of risk to the bank. [Even though we now know - as announced today by Barclays](#):

The bank has conducted an exhaustive internal investigation over more than three years supported by external counsel. The bank has reviewed 22 million documents from over 200 custodians, over 1 million audio files and conducted more than 75 interviews. The results of the reviews were shared with the Authorities, who in turn made their own requests for documents and interviews.

In total, the bank has invested nearly £100m to ensure that no stone has been left unturned. The bank's exceptional level of cooperation was expressly recorded by each of the Authorities, and was described by the DoJ as "extraordinary and extensive, in terms of the quality and types of information provided" and "the nature and value of Barclays cooperation has exceeded what other entities have provided in the course of this investigation." That cooperation has led to Barclays being the first to reach resolution of these issues.

Now I don't know about you, but the last time I spent £100 million on something - even when spread over three years, I noticed it.

But apparently the Barclays board didn't. Not enough to think it worth putting in the risk assessment even though those accounts were signed on 7 March 2012.

Well, I'll tell you what I think. I think those accounts were not just wrong - I think they were mis-stated. And because Barclays and PWC both knew the scale of the issue - after all, that £100 million spend was twice the total audit fee - there has to be real concern that the issue was tucked away in a deep note far from view deliberately.

In which case PWC have a might big case to answer.

Unless, of course, it just gets swept under the carpet.