

KPMG compromising ethics for commercial gain

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The [FT reports this morning](#) that:

The UK accountancy watchdog said on Tuesday it had fined KPMG a total of £390,000 for putting commercial considerations above ethical standards for auditors in two separate cases of misconduct that stretch back to 2010 and 2011.

The two cases were not minor. The first involved the Chief Operating Officer owning shares in an audit client, and the second KPMG auditing a company where a KPMG partner was a director.

A long time ago I worked for Peat Marwick Mitchell & Co - who donated their first two initials to KPMG. Back then everyone in the firm, from top to bottom, was in no doubt at all that holding any financial interest in any client was not allowed, and declarations were required to make sure it did not happen. And I was on a training contract for much of the time I was there.

These cases, in contrast, involve partners, one of them the Chief Operating Officer. And they got it badly wrong.

Now I accept people make mistakes. Of course they do. But this is an area where the rules were so clear no one could have made a mistake back in 1979 when I started my clear. And candidly, it's pretty inexcusable that such a mistake was made in 2010 and 11 when these incidents happened.

In that case the suggestion that the rules on ethical standards were ignored for commercial reasons does look to be damning, and also an appropriate explanation.

The sanction is a fine. The indication, as has been the case with bank fines, is that this is inappropriate. The implication of the finding is that there is an issue here that requires much more robust attention. I suspect that it will not be addressed. Like the banks, KPMG is 'too big to fail'. And we're all the poorer for it.