Article URL
https://www.taxresearch.org.uk/Blog/2015/09/22/so-vw-lied-what-now/

Published: January 12, 2026, 7:50 pm

We now know VW lied about car emissions.

And not just lied, but knowingly lied. It even built the lie into its engine software design.

This wasn't just lying. This was industrial lying.

Systemic, wholesale, organised, and therefore undoubtedly officially sanctioned deception. And there are victims. The generations to come are the biggest ones. But so are VW's shareholders and customers now.

It's hardly the first such lie, though.

We have had pension mis-selling.

And mortgage insurance mis-selling.

Mortgage mis-selling in the US.

And quite a lot of corporate accounts.

And so much more.

So what is the reaction this time? Shrug and say that's how the market works? Wait to hear that all other diesel engines that somehow met emission standards when VW's could not get near have used something similar? Say we can't punish VW because they are too big to fail?

None of those work, I think.

First, I think criminal sanctions on those at the top of such companies have to be enforced: the idea that massive rewards come without risk despite what looks like systemic fraud in this case cannot be permitted. Bankers got away with this and rightly there is now a political reaction to the failure of the political class to react to that. So penalties for such behaviour have to be enforced.

No one, however, should ever want to see such penalties in use. That is just not what markets need. We want proper behaviour because the alternative has such massive costs: amongst the innocent victims of this fraud are millions of people with funds directly and indirectly held in VW shares. So whilst enforcing penalties on those who have permitted this behaviour is one thing, the need to reform the corporation is also on the agenda.

In the UK it is wrong that section 172 of the Companies Act 2006 does not make the environment as significant in terms of corporate consideration as shareholder interests.

And it is wrong that environmental reporting is not subject to the standard of scrutiny that financial reporting supposedly has.

It's wrong that in both cases fully independent auditors engaged in no other activity that might compromise them are not required to be engaged by leading companies.

And it is wrong that the risks of exposing such scandals are so high.

The failing here is not, after all, individual. It is systemic. And a systemic solution is needed. Given that we know we need the world's largest corporations but that they are so obviously failing us too often then surely the solution is their systemic reform, alongside the systemic reform of the regulatory environment in which they operate?

In the face of so much lying, such loss, and such harm, is that really too much to ask right now?