

â€~Sorry, Wrong Numberâ€™™ ; Regulatory catastro...

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The following press release was issued today by the UK's Local Authority Pension Fund Forum, who I advise on tax, and at whose conference I am speaking in the morning:

Directors of the UK's largest companies are in danger of failing to meet their legal obligations in preparing their annual accounts. So says the Local Authority Pension Fund Forum, representing assets of over £175 billion of its 66 local authority pension funds members.

LAPFF has written to all FTSE 350 companies indicating that they should disregard guidance and statements from the Financial Reporting Council in order for directors to meet their legal obligations

This letter has been released in the wake of the response of the House of Commons Treasury Select Committee to the Bank of England/PRA report into the failure of HBOS. The Treasury Select Committee has told the Financial Reporting Council (FRC) that it expects transparency on why it hasn't taken action against HBOS' auditors KPMG for signing off accounts with inadequate bad debt provisions, when total write-offs amounted to £53 billion. Their response shows there are still many unanswered questions about the role of the auditors in banks that collapsed.

Councillor Kieran Quinn Chair of LAPFF said:

“LAPFF is very clear that there are substantial issues with the position of the FRC given that it both polices outcomes and sets standards, and represents the UK interest in the development of international accounting standards.

“Further to advice from senior legal counsel, LAPFF has written to all FTSE 350 companies advising them to disregard guidance and statements made by the FRC so that directors can discharge their legal duties properly.

“Most remarkably, the matter doesn't even stem from differences of opinion in interpreting the legislation. LAPFF has found that the FRC is not even copying down the

basic legislation correctly when reproducing it in key FRC publications. Indeed LAPFF has found no case where the legislation has been transcribed properly in any FRC materials.

“Director duties flow from the precise wording of Section 393 Companies Act 2006. The one thing the FRC is supposed to regulate, it has got wrong. It is by getting the fundamentals wrong that has led to the FRC setting, copying and nodding through defective accounting standards that can mask insolvency and false profits”.

Today LAPFF has also published ‘Sorry Wrong Number’ which sets out quite how badly things have gone wrong, and how the accounting regulator may well have been a victim of a ‘game’ that had been going on for years. In doing so, central figures in the accounting profession have consistently pretended that the law was something different to that set out in legislation; a clear example of regulatory capture.

No surprise there then.

And why the profession cannot set [Tax Reporting Standards](#).