City minister: ‘Let’s break the chains holding back Britain’

Andrew Griffith is leading regulatory reforms in a bid to get more companies to list in London. He talks to Jill Treanor on Sunday May 28 2023 in The Sunday Times

Andrew Griffith peered at a bank of screens full of flashing numbers. The City minister was on one of the newest trading floors in London, at Barclays’ HQ in Canary Wharf, to see first-hand one of the engine rooms driving London’s — and the world’s — financial markets.
Trading floors such as this one, roaring with noise as deals are done, are a key part of the financial services sector, which drives more than 8 per cent of Britain’s gross domestic product.

Amid these high-octane exercises in taking and managing financial risks, Griffith talked about the need for Britain to be ready to take risks, too, to convince more start-ups to set up here and more companies to list in London. He is responsible for ensuring that reforms to financial regulation allow the sector to drive growth in Britain’s stalling economy after Brexit.

Across the financial services sector, he wants to get a debate going. “What I’m really calling for is a bigger public debate about the risks we take, and sometimes the risk of inaction or the hidden risk,” said Griffith, 52, who has been a politician only since December 2019.

A Brexiteer, his Grade II-listed Westminster townhouse was used by Boris Johnson to plot his first government after the ousting of Theresa May. He started out as a banker at investment bank Rothschild, before embarking on a 20-year career at Sky TV. This taught him about gambles — carefully taken ones. “The theme that runs through my life, like a stock of rock, is attitudes to risk,” he said. “If you’re trying to innovate, if you’re trying to make change happen, by its nature that’s a risky activity.

“The status quo actually carries a lot of hidden risk. But when you try to make change happen, that often involves more transparent risk.” It is, he said, about thinking about risk in a “balanced way”.

Britain got a lesson on risk-taking — the bad sort — during the 2008 financial crisis. NatWest, Royal Bank of Scotland at the time of the crisis, is a reminder of this. Last week, Griffith oversaw the sale of £1.3 billion worth of NatWest shares, but the taxpayer still owns 38.6 per cent of the bank 15 years on from the crisis.

In March, there was another stark reminder of the dangers in banking when the Swiss government had to avert a global financial meltdown by orchestrating the takeover of Credit Suisse by UBS.

Still, Griffith wants to get the debate about risk-taking among investors and financial firms going at a time when the government wants to create a low-tax, entrepreneurial culture (something that is lost on businesses complaining about the rise in corporation tax). “The post-2008 financial settlement was right for the time,” he said. “Now we’re getting on for 15 years beyond that. We’ve got to look at some of the hidden challenges of not having enough risk in the system.”

Take pension funds, whose investment in UK shares has fallen from 50 per cent of portfolios in 1999 to about 2 per cent now as they have moved into UK government bonds. That shift into gilts proved risky in September when Kwasi Kwarteng’s mini-budget blew up the markets, forcing down the price of gilts and leaving pension funds facing huge losses. But Griffith said there was also “a risk of underperformance”.

“There’s a risk that people retire with their pensions delivering a lower level of prosperity than could be the case”.

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He also cited home loans: “You do not want to go back to the pre-2008 days of more than 100 per cent mortgages, but we also have to look at the risk of a generation not being able to get on the housing ladder because they are not able to access mortgage finance as their parents did.”

It is quite likely this debate would not be happening if Britain was still in the EU. The City suffered a “no-deal Brexit” in which London was stripped of some of its attraction for international banks to be based here due to the loss of “passporting rights” to operate seamlessly in the EU.

The City of London Corporation, the local authority for the financial district, says London has already lost its crown as the world’s pre-eminent financial district as New York is now in joint first place.

FTSE 100 companies Flutter, owner of Paddy Power and Betfair, and CRH, owner of Tarmac, are moving listings to the US. And a report this month from UK Finance showed London’s share of initial public offerings (IPOs) fell from 19.5 per cent to 9.1 per cent between 2017 and 2021. And as London-listed companies are valued lower than those elsewhere, the reasons to list here seem to be fading.

Griffith, though, would rather focus on the “mythbusters” in the same UK Finance research, which showed that a US listing is not an instant route to success: new IPOs in London outperform those in New York, and London still outpaces the EU for stock market listings.

Even so, he acknowledged that the City needs to up its game — though not to diverge from EU rules for sake of it. It is not “a race to the bottom” or a shift to turning London into low-tax, low-regulation “Singapore-on-Thames”, he said. “It means looking at the margin where you can tune things up a bit.”

Griffith met Mairead McGuinness, the European commissioner for financial services, last week amid signs — after a lengthy impasse — that a memorandum of understanding over City regulation might soon be signed. This would make it easier for UK regulators to talk through official channels with those in the EU, on issues from sanctions to cryptocurrencies.

“My expectation is that this will pave the way for a more constructive financial services partnership,” said Griffith. However, deciding what comes next for the City seems to be taking an age. Griffith was bullish — “2023 is going to be a banner year for reform of the financial regulatory system” — and it is clear that measures in the financial services and markets bill mark a change in tone towards the watchdogs. The Financial Conduct Authority and the Bank of England’s Prudential Regulation Authority will also promote growth and competitiveness.

Last week, Griffith tabled amendments to give the Treasury more oversight over the regime — a sign of frustration, perhaps, at the speed at which decisions get made. Revolut, the start-up, is furious about the time it is taking to get a banking licence, with suggestions that it will be denied by the Bank of England. Griffith will not be drawn. Tom Blomfield, founder of digital start-up Monzo, left London for San Francisco last week with a swipe at the UK as “not always favourable to ambitious founders who want to do something unusual”.

These are the types of business leaders Griffith wants in London. That drew him into the debate about why shareholders in listed companies vote against big pay deals in Britain but back even bigger paydays for companies in America. Griffith ducked the question about his own wealth — he made £17 million from the sale of Sky to Comcast in 2018 — but said: “As investors in companies, we should want, a little bit like we want our favourite Premier League football team, to have good leadership, we should want [companies] to be able to get the right talent that delivers good returns for UK plc,”

That could prove a risky debate to start as an election looms and voters grapple with a cost of living crisis.