



## Tough new regulations for senior bankers likely to increase number of employment disputes

Tough new regulations that could make senior bank staff held personally responsible or even criminally liable for failings of more junior employees could result in a jump in the number of legal claims launched by staff for unfair dismissal or constructive dismissal, says GQ Employment Law, the specialist employment law firm.

GQ Employment Law says that from March 2016, senior managers at banks in the UK will be accountable to the FCA and PRA for any regulatory problems that occur within their areas of responsibility.

This means that any failures that occur at the banks will require senior managers to demonstrate to the regulator that they have taken reasonable steps to prevent the breach of regulatory requirements that fall under their remit.

GQ Employment Law says that, as a result, senior managers may feel it is better to pre-emptively dismiss or 'stand down' any members of staff who they believe could potentially put the bank at risk of a regulatory failure rather than spend time managing their performance.

Jon Gilligan, Partner at GQ Employment Law, comments: "The risk is that managers will act in haste and that unfair dismissal or constructive dismissal claims will follow."

"The FCA's and PRA's determination to create much more individual responsibility for any failures that occur in the banking sector is likely to cause considerable upheaval throughout the City and create significant tension between senior managers and banks' HR and Legal teams."

"Senior banking staff will not want to take the fall if an underperforming team member puts the bank at risk of regulatory action, but HR and Legal will want to avoid unnecessary employment law claims."

Jon Gilligan adds that the new regulations may make it harder for the banks to attract people for senior roles and will certainly make

discussions about taking these roles much more complex.

“Senior banking staff will want much more detail about any issues at the bank in general and their relevant business area in particular, before taking on the significant regulatory responsibilities that their role will now entail. This could be particularly problematic during the hiring process as candidates (who will be working for competitors) will want access to confidential information that the hiring bank will not want to provide.”

“Senior staff will want to have a high level of clarity about their areas of responsibility and might resist taking on additional responsibilities if they fear that their team could fall foul of the regulator.”

“Senior managers also won’t want to join a new employer without some form of protection if there any lingering issues still not resolved with the regulator, or problems left by the previous regime. They will want to make sure any problems are out in the open before they join.”

“We could also see senior staff demanding warranties or indemnities from their employers in relation to problems that relate to the period before they took on the role.”

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