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Business

HSBC faces investor anger over proposed pay rise for top team

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HSBC, the global bank that has been praised for its handling of the financial crisis, has clashed with shareholders over a proposed pay rise for its executive team.

Investors are understood to be particularly unhappy with the sum that HSBC wants to pay Michael Geoghegan, its chief executive, who relocated his office to Hong Kong on February 1. Mr Geoghegan was paid £1.7 million in 2008, down from £3.5 million in 2007.

The bank said the move to Hong Kong recognised that Asia was a significant source of growth, but onlookers have pointed out that Mr Geoghegan's relocation comes as the UK prepares to introduce a 50 per cent income tax in April for high earners.

It is unclear whether Mr Geoghegan's new pay deal will fall under the Hong Kong tax regime, making it even more lucrative. Hong Kong's top rate of personal income tax is 15 per cent. HSBC's showdown with investors will add to the storm about bonuses, which has been the focus of the banks' reporting season for 2009.

Barclays will add to the tensions today when the bank announces a compensation pool of about £4.5 billion, which includes a bonus pot of £2.3 billion, alongside record profits of £11.2 billion.

Barclays, like HSBC, avoided a government bailout and has insisted on determining its own pay policies. However, Barclays will still attempt to avoid a public backlash by emphasising that it has restricted staff costs to 38 per cent of revenue, the lowest ratio for a decade.

Royal Bank of Scotland, which is 84 per cent taxpayer owned, is under even greater pressure to exercise restraint. Stephen Hester, the RBS chief executive, is lobbying the Government hard to allow him to hand out bonuses of about £1.3 billion to bankers this year, up from £1 billion in 2008, after the investment bank contributed about £6 billion in profit for 2009, although, overall, RBS will make a loss for the year. RBS will argue that this level of payout, which equates to about 30 per cent of revenues, demonstrates that it has kept bonuses down to the minimum while retaining staff.

HSBC's bonus pot is thought to be £1.5 billion. A dispute over pay will be particularly unwelcome for HSBC, which frowns on the star culture and huge pay packets of other banks that have large investment banking operations.

Stephen Green, the executive chairman of HSBC and head of the British Bankers' Association, has called bankers' pay "distorted" and "inflated". However, the plans set out by Europe's largest bank for significant pay rises for executives for 2010 have prompted investors to say that they would "push back" against the proposals.

HSBC will reveal details of its 2009 pay when it publishes its annual report on March 1 alongside its full-year results. An HSBC spokesman said: "We have an excellent record of transparency — one of

very few banks to publish our remuneration report on our results day.

"HSBC has not taken taxpayer money and we have been profitable, generated capital, paid dividends and very much remained open for business throughout the crisis." HSBC's executive directors did not take a bonus in 2008 and have not received rises in base pay for three years. HSBC has not taken taxpayer money and we have been profitable'

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