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Business view

Nils Pratley

Closing the bonus loophole was common sense, so why did it take the Treasury so long?

About time too: the Treasury has finally flexed its muscles and said large companies using government and Bank of England-backed loan schemes cannot also pay cash bonuses to directors or dividends to shareholders.

The restrictions are really just an act of common sense: state loans should promote corporate survival, not underwrite executives' pay packets or investors' distributions.

Most boards probably grasped the point, but the job of the Treasury is to ensure the door is bolted firmly against the devious and the greedy. It's astonishing it has taken this long for a bonus ban to be adopted.

Yesterday's other development reflects better on the Treasury. This was the boost from £50m to £200m in the size of loans that can be granted under the coronavirus large business interruption loan scheme (CLBILS). But, again, one has to ask why the pleas of the "squeezed middle" of mid-sized companies – which is where the CLBILS facility is aimed – weren't addressed earlier.

Perhaps it's because the squeeze could only be felt properly when the two other schemes were implemented. Even so, a quadrupling of the limit on CLBILS loans is more than a minor tweak; it's an admission, in effect, that money was failing to get to where it was needed.

The Treasury has been showered with praise for its rapid implementation of the furlough wage-support scheme – deservedly so. You do wonder, though, whether it needs a few hard-nosed business practitioners around the corridors. The bonus loophole, in particular, should have been closed weeks ago.

Thinking small

Call it a small victory for small shareholders: Compass Group bothered to include them in its £2bn fundraising. Most companies, when raising cash in a hurry in recent weeks, have carved retail investors out of the share-placing process, thereby reinforcing the appalling message that the rights of individual investors can be trampled upon in a crisis.

In normal times, all shareholders are protected by pre-emption rights – the right to subscribe first when new shares are issued in a fundraising. It's a key measure to ensure boards cannot grant favours to their chums or friendly institutions.

The Financial Conduct Authority relaxed the rules during the pandemic for reasons everybody understands: companies will often need cash faster than a conventional rights issue would allow. But boards – until now – have mostly ignored the Financial Conduct Authority's parallel instruction that "soft" pre-emption rights should be incorporated where possible.

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Compass has shown it can be done. Small investors were able to participate via the PrimaryBid.com website at no extra cost and on equal terms. The solution is imperfect since the structure caps aggregate demand from retail investors at €8m (£7.1m) under EU rules. But the key point is that the technology works.

The issue is persuading boards to use it. Fear of the unknown, plus overcautious lawyers, seem to have been the stumbling blocks. The likes of Asos and WH Smith have simply bypassed small investors, often issuing shares at heavy discounts, which most disadvantages those who are excluded.

An impressive crew of City big hitters – including Martin Gilbert, lately of Aberdeen Standard Life, and Anne Richards of Fidelity – wrote an open letter last month calling on companies to think of small investors and employee-shareholders. Well done: it changed the debate.

Now Compass has set a good example. There should be no more woolly excuses elsewhere.

EasyJet's difficult task

EasyJet says it was hacked by "a highly sophisticated source", which is what they all say. No company has ever confessed to being outwitted cyber-wise by a rank amateur trying their luck.

Thus we will have to await the view of the Information Commissioner's Office (ICO) on whether easyJet left its back door wide open. But the emails and travel details of 9 million customers were accessed, which is a big breach.

By way of comparison, the ICO is still trying to stick a a £183m fine on British Airways for a case last year involving 500,000 customers; like easyJet, BA argued there was no evidence of fraudulent activity connected to the breach.

So one can more confidently predict the outcome of easyJet's showdown on Friday with its disaffected founder, Sir Stelios Haji-Ioannou, who is trying to unseat half the directors. The board should win that one comfortably. The ICO may be trickier.