



## The figure of finance

In light of his recent CBE award for services to financial stability, we speak candidly with Charles Randell - a Slaughter and May partner from 1989 to 2013.

*"I believe that the lawyers who succeed are those who are aware of their own limitations. The worst lawyers tend to be those who believe that their own abilities are all that matters. Slaughter and May is a very collegiate environment - people in the firm don't aim to rise higher by trampling over the necks of others. This means that it's particularly good in times such as the financial crisis - and at motivating teams to find creative solutions. As with most things in life, it is a mistake to focus on the individual. It is all about teamwork."*



In 2007, Charles Randell was approached by HM Treasury to help with the restructuring of Northern Rock in the wake of the first UK bank run since the 1860s. He subsequently led the team that helped to build the legal framework for the nationalisation and restructuring of major UK banks after the banking crisis of 2008. His CBE is a fitting tribute to his role in the resolution of the banking crisis in 2007-2009, a period that saw him lead a huge team at Slaughter and May as legal advisers to HM Treasury.

Charles left the firm in 2013, after a 33-year career, and is now a member of the boards of the Prudential Regulation Authority of the Bank of England and the Department of Energy and Climate Change.

### Role models

Having joined the firm in 1980 as an articled clerk, his early years at Slaughter and May influenced the type of lawyer he eventually became:

*"I was very fortunate to work with some partners early in my career whose style of work I admired. Thomas Buckley, for example, was a well-respected corporate finance partner. He had a distinctive personal style and was very commercial in his approach. He recognised that clients didn't necessarily want to know the intricacies of the law, but he would tell them what was important."*

Giles Henderson proved another important role model. He led much of the government work and was a key figure in the Thatcher privatisation era with an "effective and unique" personal style.

These early experiences demonstrated to Randell that government work could be every bit as interesting as private sector work:

*“There was a thrill about going to meetings with government ministers in important buildings. Many people have a negative view about the workings of government, yet I found that most people involved generally wanted to work to do the right thing.”*

Equally, it was an interesting time to be involved. The privatisations brought unprecedented engagement from the general public; the UK had not previously witnessed similar mass retail offerings. For the lawyers involved in the privatisations, the challenge was that they were forced to start with a blank sheet of paper and design something completely new.

In spite of this, he initially had reservations when approached by the Government to help with the Northern Rock crisis. The Government had said publically that it would stand behind the retail deposits, but no-one had, Charles says, absorbed the significance of that promise. Northern Rock was still considered small fry within the UK banking system.

Charles says: “Initially I was reluctant to get involved. I questioned whether this was work we should be doing and whether it would interfere with our private sector work. However, once I started to appreciate the extent of the problem, I realised we should participate.”

## Plenty of challenges

*“The main challenge was the signal the Government would send to the market; as the Government showed it was not willing to let the business go under, it became increasingly difficult to negotiate a satisfactory solution. If there was an unlimited pool of money - the UK taxpayer - it was difficult to do a deal on sensible terms.”*

The situation was complicated by various private sector investors who began to buy into the shares of Northern Rock solely so they could block any

restructuring. At the time, there was no mechanism to bring this to an end and for a bank with so many customers who depended on continuous access to their transactional bank accounts, insolvency was not the solution: “Working with Treasury lawyers, we eventually put together the legal structure that provided the government with the mechanism for nationalising the bank. But we needed to show that we had exhausted all efforts to find a private sector solution.”

For a while it looked like this solution might hold and the problem might be limited to specific banks: Northern Rock, then those with similar business models to Northern Rock - Alliance & Leicester and Bradford & Bingley, for example. By mid-2008 it looked as if the problem was contained.

## Lost confidence

From September 2008, it became a systemic problem. The trigger was the collapse of US investment bank Lehmans, when it finally became clear that governments wouldn't necessarily stand behind every bank. It also became clear that banks were exposed to poor quality lending in myriad ways. The market lost confidence in the sector as a whole and it became difficult for firms to fund themselves. The interbank markets weren't open and panic followed.

The solution to this broader problem was not immediately obvious and, given his time again, Charles says he would have started work on various solutions earlier:

*“While we had the legal framework in place to deal with the smaller UK banks, sorting out the biggest bank in the world (RBS, by balance sheet size) was another issue. Bringing it into majority public ownership while ensuring that it could eventually get back out was a significant challenge. The events of 2008 unfolded quickly. The global bailout effort only took two weeks or so, and a lot of work had to be improvised fast. One of the reasons I'm sure that the framework all came out in good shape was that it wasn't a solo effort. We recruited a large team from across*

*Slaughter and May, who provided exceptional expertise and support.”*

The government has now moved on, the financial system is stable and the banks are in the process of being re-sold. Randell retired from Slaughter and May in 2013 and now divides his time between roles as an independent member of the board of the Prudential Regulation Authority at the Bank of England, chair of the Audit and Risk Committee of the Department of Energy and Climate Change and Visiting Fellow in financial services regulation at Queen Mary University of London.

### New challenges

The Board of the Prudential Regulation Authority is responsible for ensuring the safety and soundness of banks and insurance companies. There are six independent members, while most of the other members are Bank of England full-timers, including the Governor, Mark Carney, and the

Deputy Governor for Prudential Regulation, Andrew Bailey. It meets fortnightly and sometimes more frequently. In Charles’ role at the Department of Energy and Climate Change he sits on a board which advises ministers and gives them insight into the private sector view. He also helps the Department deal with risk management.

Although glittering in hindsight, Charles’ career choices were not clear from the start and he believes that much of his success has come from the mutual support and expertise available at Slaughter and May: “I’ve never kidded myself that I was a good enough lawyer to set up a brass plaque and start to operate on my own. I wouldn’t have had any success at all. I have always worked as part of a team. One of the great things about Slaughter and May is the way people work constructively together, harnessing expertise and wisdom from across the whole firm. It meant we were part of something very successful.”