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PwC fights £400m Icelandic bank claim

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THE giant accounting firm PwC faces a £400m claim over alleged failings in its auditing of Landsbanki, the Icelandic lender that collapsed at the height of the financial crisis.

The claim, filed by Landsbanki's winding-up board at Reykjavik county court, accuses PwC's London operation as well as its Icelandic office of missing obvious warning signs in the accounts.

Landsbanki was a prolific lender in the run-up to the crash, bankrolling tycoons such as Jon Asgeir Johannesson in his acquisition of trophy assets such as Hamleys and House of Fraser. When it collapsed in October 2008, the Treasury was forced to step in to guarantee £2.4bn of deposits lodged by British savers.

The winding-up board alleges that PwC overestimated the bank's capital position from mid-2007. It also alleges that the firm did not notice that Landsbanki broke accounting rules by failing to disclose huge loans to its biggest shareholder, Bjorgolfur Gudmundsson, and his son.

The claim is understood to have begun in the summer.

It is not the first time PwC has been censured for its role in Landsbanki's demise. A report for the Icelandic special prosecutor two years ago said the firm showed "negligence" in failing to spot financial mis-statements that should have led to the bank losing its operating licence.

The accountant said: "The inclusion of PwC UK in the legal action taken by the winding-up board is misguided and without any basis.

"PwC UK will vigorously defend its position if this matter ever proceeds."