

# Banks have been Manipulating LIBOR for Decades

By [Washington's Blog](#)

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Industry Veteran Closely Involved in the Libor Process Says that the Rate Has Been Manipulated for 15 Years

We've previously [noted](#) that Libor manipulation has been going on since at least 2005 ... and continued long after the manipulation was first reported.

The Financial Times started reporting on the manipulation in [2007](#), and the Wall Street Journal in 2008 (see [this](#), [this](#), [this](#), [this](#) and [this](#)).

But as the Economist reports today, the manipulation probably goes back a [lot further](#):

The FSA has identified price-rigging dating back to 2005, yet some current and former traders say that problems go back much further than that. "Fifteen years ago the word was that LIBOR was being rigged," says one industry veteran closely involved in the LIBOR process. "It was one of those well kept secrets, but the regulator was asleep, the Bank of England didn't care and...[the banks participating were] happy with the reference prices." Says another: "Going back to the late 1980s, when I was a trader, you saw some pretty odd fixings...With traders, if you don't actually nail it down, they'll steal it."

Given that [homeowners, students, credit card holders, and other borrowers](#) pay more when rates are higher, the banks appear to have fleeced consumers for 10 years during the entire bull run leading up to the financial crisis.

We predict that lawyers can prevail in [huge class action lawsuits](#) based on that theory alone.

As Yves Smith [writes](#):

I expect the firms involved to face a locust swarm of litigation. Lawyers may accomplish what regulators and politicians refused to do: strip the banks of ill gotten gains and bring their preening CEOs and "producers" down a few notches. A day of reckoning may finally be coming.

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