



Former Co-op Bank chair Paul Flowers investigated for expenses claims and suspended from drug charity

Ed Miliband defends Labour's dealing with bank and Mr Flowers, saying party acted with 'utmost integrity'

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Thursday, 21 November 2013

The disgraced former Co-op Bank chairman Paul Flowers was suspended by the drugs charity where he was a trustee following an investigation into his expenses claims.

The Methodist minister raised "concerns" at the Lifeline Project and was temporarily removed from the board - but left altogether in 2004, long before the recent scandal over alleged drug use and accusations of incompetence.

Ed Miliband has been forced to defend his party's dealings with the Co-op and Mr Flowers, after Prime Minister David Cameron launched what the Labour leader has branded a "smear campaign" surrounding links between the two.

The Chancellor George Osborne is set to lead an inquiry into the bank's financial situation and the decision to appoint the 53-year-old as its chief - and the chairman of the Co-op group Len Wardle has already resigned over the actions taken by his board.

Speaking today to Sky News, the chief executive of the Lifeline Project in Manchester Ian Wardle said: "I developed concerns at the beginning of 2004 about some of the claims that had been made and I spoke with our treasurer at the time and we then involved our solicitors and, to cut a long story short, in June 2004 I raised the matter formally, fully and in depth with our trustees body.

"Our trustees body suspended Rev Flowers and then we began to investigate the claims.

"And we investigated five years of claims.

"We looked at these claims, then we invited Rev Flowers to reply to us in order that he could tell us what the rationale behind these claims were."

Mr Wardle said Mr Flowers' response was "not a lot" and he complied with the investigation "begrudgingly".

"We didn't feel as a committee, because there was a committee of trustees appointed to look into this, we didn't feel his answers gave us sufficient detail in order for us to be able to judge."

The Charity Commission today said: "We can now confirm that the charity Lifeline Projects contacted the Commission in 2004 to inform us of concerns into expenses payments made to a former trustee. We are working to establish the details of the charity's report to us and our regulatory response."

Mr Miliband faced questions yesterday over why Mr Flowers had been brought on to the party's business advisory group and further questions about the party's links to the former bank chairman, who has also been accused of incompetence.

The Labour leader told ITV News: "Paul Flowers was somebody who I met with on one occasion and had meetings with a wider group on a couple of other occasions. He was never my close adviser.

"The important thing now is to make sure that the Co-op can go from strength to strength in the future and the police need to look at any matters that arise for them."

Asked if he welcomes the inquiry, Mr Miliband said: "Let's see what the Government proposes.

"What I am utterly confident about is the Labour Party always acts with the utmost integrity and we did on this occasion too."

Mr Flowers, who led the Co-op for three years until 2013, is being investigated by the police for allegedly buying and using illegal drugs including crystal meth, crack cocaine and ketamine. He has also been suspended indefinitely by the Methodist Church.

Yesterday Mr Cameron announced that Chancellor George Osborne was in discussions with financial regulators over what form the inquiry should take.

At Prime Minister's Questions in the House of Commons, Mr Cameron told MPs that there were "clearly a lot of questions that have to be answered" in relation to the Co-Op Bank.

"Why was Rev Flowers judged suitable to be chairman of a bank? Why weren't alarm bells ringing earlier, particularly by those who knew? I think it will be important in the coming days that if anyone does have information they stand up and provide it to the authorities," he said.

Tory chairman Grant Shapps also challenged Mr Miliband to explain Mr Flowers' position on Labour's business advisory group and to return a £50,000 donation to Mr Balls' office that he had backed.

Mr Cameron added: "What we can now see is that this bank, driven into the wall by this chairman, has been giving soft loans to the Labour Party, facilities to the Labour Party, donations to the Labour Party, trooped in and out of Downing Street under Labour, still advising the leader of the Labour Party.

"And yet, now we know, all along they knew about his past. Why did they do nothing to bring to the attention of the authorities this man who has broken a bank?"

Mr Miliband sought to avert the attack - dismissed by a senior Labour source as "a rather desperate political distraction" - by reminding Mr Cameron that his own party had taken donations from individuals such as Asil Nadir, who was jailed after going on the run when facing fraud allegations.

Co-operative Group chairman Len Wardle has already quit amid the deepening scandal, which came after the ailing bank had to be bailed out by hedge funds after getting into financial difficulties.

Additional reporting by PA