
From The Sunday Times

January 25, 2009

Revealed: Labour lords change laws for cash

LABOUR peers are prepared to accept fees of up to £120,000 a year to amend laws in the House of Lords on behalf of business clients, a Sunday Times investigation has found.

Four peers — including two former ministers — offered to help undercover reporters posing as lobbyists obtain an amendment in return for cash.

Two of the peers were secretly recorded telling the reporters they had previously secured changes to bills going through parliament to help their clients.

Lord Truscott, the former energy minister, said he had helped to ensure the Energy Bill was favourable to a client selling “smart” electricity meters. Lord Taylor of Blackburn claimed he had changed the law to help his client Experian, the credit check company.

Taylor told the reporters: “I will work within the rules, but the rules are meant to be bent sometimes.”

The other peers who agreed to assist our reporters for a fee were Lord Moonie, a former defence minister, and Lord Snape, a former Labour whip.

The disclosure that peers are “for hire” to help change legislation confirms persistent rumours in Westminster that lobbyists are targeting the Lords rather than the Commons, where MPs are under greater scrutiny.

Brendan Keith, the registrar of Lords’ interests, said on Friday that taking a fee to help amend bills was a breach of the “no paid advocacy” rules which prevent peers from promoting the cause of a paid client in parliament. “The rules say that a member of the House must never accept any financial inducement as an incentive or reward for exerting parliamentary influence,” he said.

Baroness Royall of Blaisdon, leader of the House of Lords, issued a statement yesterday saying: “I am deeply concerned about these allegations. I have spoken to the members who are the subject of them and I shall be pursuing these matters with the utmost vigour.”

Norman Baker, the Liberal Democrat MP, said he would take up the issue with the Lords authorities. “Legislators in the Commons and the Lords are there to pass legislation on behalf of the country, not to change the law in return for financial favours,” he said.

The Sunday Times began its investigation last year after Taylor had been forced to apologise for asking a question in the House on behalf of a paying client without declaring an interest. His friend Jack Straw, the justice minister, was reprimanded last week over an undeclared donation which had been arranged by the peer.

Our reporters posed as lobbyists acting for a foreign client who was setting up a chain of shops in the UK and wanted to secure an exemption from the Business Rates Supplements Bill. We selected 10 Lords who already had a number of paid consultancies. The three Conservative peers did not return our calls and a Liberal Democrat and an Ulster Unionist both declined to help after meeting the undercover reporters.

However, four of the five Labour peers were willing to help to amend the bill in return for retainers. Some were more forthright than others.

Taylor, a former BAE consultant, said he would not table the amendment himself but offered to conduct a “behind the scenes” campaign to persuade ministers and officials. After agreeing a one-year retainer for £120,000, he said he would discuss the amendment with Yvette Cooper, chief secretary to the Treasury, and talk to officials drafting the bill.

Truscott, his Labour colleague, was also keen to help “behind the scenes” — for a fee of up to £72,000: “I can work with you . . . identifying people and following it . . . meeting people, talking to people to facilitate the amendment and making sure the thing is granted.”

He said he would identify and talk to people who could be persuaded to change the legislation. He offered to contact MPs, peers, civil servants and John Healey, the minister in charge of the legislation.

Moonie offered to help for a fee of £30,000 a year and Snape indicated that he would charge £24,000. By contrast Lord Rogan, the Ulster Unionist peer, said: “If your direct proposal is as stark as for me . . . to help to put down an amendment, that’s a non-runner. A, it’s not right and b, my personal integrity wouldn’t let me do it.”

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From The Sunday Times

January 25, 2009

Whispered over tea and cake: price for a peer to fix the law



Lord Taylor of Blackburn

Insight: Jonathan Calvert, Claire Newell and Michael Gillard

BARON TRUSCOTT of St James's took a bite of his teacake before explaining to the two lobbyists in front of him just how much it would cost to hire a peer of the realm.

"Rates vary between £1,000 and £5,000 a day," he said quietly, his voice almost drowned by the chatter in the House of the Lords dining room. It was a question, he agreed, of getting the right person rather than haggling over the money.

Truscott — a former Labour MEP who was a government minister until 18 months ago — made it clear he had exactly the right credentials.

In the course of their short tea-time conversation he agreed to help them amend a government bill that was harmful to their client, in return for cash. He said he had done similar work before. He said he had intervened on the Energy Bill — a piece of legislation he had been responsible for as a minister only months earlier. His fee was seemingly modest by peers' standards, but probably not for most people outside the house. He charged £2,000 a day, which would have added up to £72,000 for the three-day-a-month one-year contract he later proposed.

However, he confided to the lobbyists, he had to be a "bit careful" and could not table the amendment himself. "There are ways to do these things, but there is a degree of subtlety . . . work behind the scenes," he said.

What he didn't know was that the two lobbyists were both undercover Sunday Times reporters. One of them had been in a very similar situation in the dying days of the last Conservative government, when he posed as an investor and offered MPs £1,000 to table a question in the Commons. This newspaper's cash for questions exposé caused an outcry that led to a tightening of the rules on paid consultancies for members of both Houses of Parliament.

But now, 15 years on, we were investigating allegations that peers were flouting those rules and could be hired to change laws — arguably an even more serious misdemeanour than simply asking a question.

The House of Lords is supposed to be an important check on the power of the Commons, where mature and independent peers bring their experience to bear on proposed legislation.

However, we found that four Labour peers were willing to help amend laws for a fee. All four said they were acting within the rules as they would not personally be tabling the amendment. Yet their code of conduct says peers "must never accept any financial inducement as an incentive or reward for exercising parliamentary influence".

Yesterday Baroness Royall of Blaisdon, leader of Lords, said: "I am deeply concerned about these allegations. I have spoken to the members who are the subject of them, and I shall be pursuing these matters with the utmost vigour."

Our inquiries began with Lord Taylor of Blackburn, a well-connected Labour peer who is a close friend of Jack Straw, the justice minister, and several other members of the cabinet.

In October, Taylor was forced to make a public apology after he asked a question in the house without declaring its relevance to a paid client.

Taylor, a peer since 1978 and a former education adviser to Margaret Thatcher, was only too happy to meet our undercover reporter who had phoned seeking a "political consultant". The meeting took place in the peers' guest room overlooking the Thames on the last day before the Christmas recess.

Within earshot of Lord Ashdown, the former leader of the Liberal Democrats, and Lord Lawson, a chancellor of the exchequer under Thatcher, Taylor bellowed: "There's more business done in here than what's done in most government offices, or most offices."

Taylor's private business is certainly thriving: he is a paid consultant to seven businesses and has another four non-executive directorships. He said some of his companies paid him £100,000, adding: "That's cheap for what I do for them."

He explained how he used the guest room for his business. "If I want to get a point over to a minister or a civil servant, this is the place where I would do it . . . I can speak better and they will speak more freely over a cup of coffee or a pie and a pint . . . rather than a boardroom table or a ministerial desk where everything is being written down."

The dining room across the corridor is also used to impress his private clients. "You can buy a lunch at the Dorchester or the Ritz, but you can't here, and it's good for people to be seen here and to be working here," he said. This was clearly what the reporter would be buying into if he hired Taylor. The reporter explained he was from a lobbying company that was representing a Hong Kong businessman who wanted some help in parliament.

The businessman, Lou Li Jiang (a made-up name), was setting up 30 retail outlets across the UK in the next 18 months as part of a consortium with a Taiwanese firm. Lou, the reporter said, was concerned that the Business Rate Supplements Bill, which was then between first and second readings in the Commons, would impose extra taxes on his business.

After explaining that he was willing to pay for Taylor's services, the reporter asked him whether he would help introduce an amendment to the bill that would exempt new businesses from having to pay the tax. "Well, these are things where I can come in quite well," Taylor replied. He said he had changed legislation before on behalf of Experian, the credit-check company, which pays him for consultancy work.

Taylor: I've been working with them on amending a statute that's coming out, or was coming out, because I've got it delayed now, whereby it was going to be difficult for them to get certain information and so on. So I've got that amended and you do it quietly behind the scenes, you see.

Reporter: How did you manage to do that? Do you actually put in an amendment yourself?

Taylor: No, no, no. You don't do things like that. That's stupid. What you do is you talk to the parliamentary

team who drafts the statute . . . you meet the minister, you meet the various people.

Over the course of the meeting, and at a lunch earlier this month, Taylor agreed to attempt to amend the bill “behind the scenes” and negotiated an annual fee of £120,000.

His aim was to change the legislation without putting any formal amendment down. He admitted: “I will work within the rules, but the rules are meant to be bent sometimes.” He said he would tap up his ministerial contacts such as Lord Mandelson, the business secretary, and Yvette Cooper, the chief secretary to the Treasury, as well as civil servants drafting the bill. “I’ve always got somebody in the department that knows people that know people. I’m telling you too much.”

So if the peers’ tearooms were such a hive of business activity as Taylor described, how many other peers were offering similar services? Our reporters approached more lords to find out.

A flick through the Lords register of interests shows many peers have paid “consultancies”. At the first meeting with Truscott in mid-January, he claimed as many as 60% now had outside interests. “With most people in the Lords it’s part-time. . . We meet at 2 or 3 three o’clock in the afternoon and go on until 10. . . Most people have outside interests as a result.”

Peers are not paid for their work in the house. They receive an attendance allowance of £330 a day — generous but relatively insignificant for some of the ex-ministers, captains of industry and former quangocrats who fill the Lords. Their speeches may be thinly attended but they exert real power in shaping legislation. Truscott was quite optimistic a campaign to amend the law for the reporter’s fictional Far East client would be successful.

He explained: “You start in the Commons, but it’s easier to amend things here. The government has lost two votes in the Commons since 1997 and 400 votes in the Lords. Because of the inbuilt governmental majority in the Commons, it’s a lot easier to amend things here.”

While stopping short of offering to put down an amendment himself, he said he would identify and talk to people who could be persuaded to change the legislation. He offered to talk to MPs, Lords, civil servants and John Healey, the minister in charge of the legislation, in return for the consultancy fee.

Since leaving government 18 months ago, Truscott has acquired seven consultancies and four non-executive directorships. As a former energy minister, he has been helping Gazprom, the Russian gas giant, in the UK and recently hosted a dinner in the Lords for the company’s executives.

After the first meeting, Truscott was so keen to take up the work he e-mailed his CV to the reporters. At a London hotel last week, he made his position clear: “I can work with you over it . . . identifying people and following it . . . meeting people, talking to people to facilitate the amendment and making sure the thing is granted.”

He went on to describe how he had previously worked to ensure the Energy Bill was favourable to a client that sells smart meters for electricity and gas supplies. The bill has created a huge market for smart meters — which give consumers more detail on energy usage — by making it law that every household and business must have one.

Truscott: Bringing it back to the Energy Bill. I had meetings with the bill team and the relevant minister and the head of policy at . . . BERR (the department for business).

Reporter: And did you manage to get the amendment in that instance?

Truscott: They (his smart meter client) got the result they wanted . . . They wanted a commitment that smart metering would be in the bill and that it would be rolled out . . .

Reporter: Were they in the bill originally?

Truscott: There was some debate about whether they would be in, and there was certainly no government

commitment to when or over what period (it would be rolled out).

Reporter: So you managed to get that changed so that it would be in there?

Truscott: Yes, yes . . .

His client was probably Landis+Gyr, a Swiss-based company that sells smart meters. This is registered as “non- parliamentary” consultancy in his entry to the register of interests. If Truscott had been paid by the company to do work in parliament then it should have been declared as “parliamentary lobbying”, which means he would have had to make public the amount he is paid.

Indeed, Truscott told the reporters he would register their payments as non-parliamentary, even though the work he had been asked to do initially was directly related to the Lords. “It wouldn’t be exclusively parliamentary work . . . it might be that the next one has a broader remit,” he said.

On Thursday, Lord Snape, a former Labour whip, also indicated he would be willing to help the reporters amend the bill for a fee of up to £24,000 a year. “Depending on who is on the Commons committee, if I had a chat I could see if I could get them to table an amendment in committee. It would be better if you could get a government person to do it, purely in political terms.”

He also offered to make representations to Healey. “I can approach him behind the scenes to say, ‘You know this is the purpose behind the amendment, look at it.’”

Lord Moonie, a former defence minister, also offered to assist in return for an annual fee of £30,000. Moonie said he would contact Healey and offered to identify people who could put down an amendment.

Moonie is a social friend of Gordon Brown and was ennobled in 2005. He gave up his parliamentary seat reportedly so that Brown could keep his in a boundary change.

The peer said the rules in the Lords were lax. “The thing with the Lords is that there’s virtually nothing they can do with you, unless you break the law . . . Even if you don’t declare, there’s nothing they can do but jump up and down.”

On Friday, Taylor claimed that he had known he was dealing with undercover reporters from the beginning and had “played them along”. He said the Experian amendment was done through a trade agency.

Truscott denied any wrongdoing. He said: “All I was going to do was to assist (the reporters) to make their case so they could lobby to make amendments.” He said he had not amended any legislation on the Energy Bill.

Snape issued a statement saying he had made it clear to the reporters that he was unable to “initiate or amend any legislation on behalf of an individual or a company”. However, he said he did think the reporters’ proposed exemption might be “beneficial” and undertook to “investigate” further.

Moonie said on Friday: “I did not agree to amend the legislation. I agreed to seek to help to find a way of trying to amend the legislation.”

Landis+Gyr and Experian said they employed peers to give advice and not to change legislation. L+G said smart meters already had the support of Brown before the firm hired Truscott.

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From The Times

January 28, 2009

The Lords are not so noble any more

The rise of professional politicians should make the Upper House rethink its disciplinary rules

Vernon Bogdanor

Cash for laws is worse than cash for questions. In 1994 John Major was vilified for presiding over a culture of sleaze when two insignificant Tory MPs were found to have accepted money to ask questions in Parliament. Four Labour peers have now been accused of being willing to accept cash to alter legislation.

Parliamentary questions seek to influence policy through the front door. The peers, by contrast, are being accused of seeking to influence legislation not through the front door but by putting down amendments, but through the back door by nobbling ministerial chums. They are alleged to have breached the Lords code of conduct, which declares that "Members of the House... must never accept any financial inducement... for exercising parliamentary influence", and "must not... promote any matter in return for payment". The four strenuously deny the allegations, which are to be considered by the sub-committee on Lords' Interests. But, unlike the Commons, the Lords has no sanctions against wrongdoers.

In 2000 the Neill Committee on Standards in Public Life suggested that the Lords did not need sanctions since they enjoyed "a culture rooted in the concept of personal honour". The Lords, unlike the Commons, has no power to expel or suspend members, even if, as with Lord Archer of Weston-Super-Mare, they have a criminal conviction.

A peer can be deprived of his or her writ of summons, the entitlement to a "seat, place and voice" in the Lords, only by an Act of Parliament. But this has not happened since 1919 when two peers were so deprived for supporting "the King's enemies" during the war.

Peers do not receive a salary, but are paid allowances. It is difficult, therefore, although not impossible, to impose financial sanctions on recalcitrants. There is a power to fine, but it was last exercised more than 200 years ago. This means that the only sanction is naming and shaming a peer.

Lord Woolf, the former Lord Chief Justice, has said that "there is great difficulty in finding a suitable way of combining the traditions of this House with the conventional and contemporary approach to dealing with complaints of this sort". What he means is that peers, following the lead given by Lord Neill of Bladen, have allowed themselves to believe that their House is still a repository of the Great and the Good.

That, indeed, is what the House of Lords seemed to be in the years immediately after the Life Peerages Act of 1958. Early life peers such as Lord Franks and Lord Robbins were quintessential members of the Establishment, members of numerous royal commissions and committees, and men as little likely to abuse their position for financial gain as to swear in church.

Today, by contrast, many of the working peers, including the four accused of wrongdoing, are former politicians, the sort of people who might well be in the Lords were it to be elected. If, like MPs, peers come to be professional politicians there is no reason why sanctions for non-compliance with parliamentary standards should be any different in the two chambers.

Until 1999 it might have been argued that sanctions were not needed in the Lords for another reason, namely that the House enjoyed so little influence over legislation. About two thirds of its members were hereditary peers, and the Tories enjoyed a permanent majority. Precisely because the peers appreciated

that their position was difficult to defend from the point of view of democratic legitimacy, they tended not to interfere with government legislation.

But the House of Lords Act of 1999 removed almost all of the hereditary peers, and since then no single party has enjoyed a majority in the Upper House. The House has become more active. Indeed, there is a much better chance of amending legislation in the Lords than in the Commons. In the Commons, a government can generally rely on the whips. In the Lords, it has to win the argument.

In 1995, after the cash for questions scandal, the Commons established the office of an independent Commissioner for Standards to investigate complaints. On receiving his report, the Commons can impose penalties, which might include withholding an MP's salary for a specified period, suspension, including loss of pay or, in the very last resort, expulsion. Last year, for example, Derek Conway, the Conservative MP for Old Bexley and Sidcup, was suspended from the Commons for ten days after a report by the commissioner. Only three MPs have been expelled this century. They include Horatio Bottomley, convicted of fraud in 1922. When visited in prison, amid his mailbags, he was asked: "Sewing?" "No," he replied, "Reaping." More frequently, the offending MP is allowed to resign, as with John Stonehouse in 1976, when he was convicted for theft, forgery and fraud.

The 1999 Act has made the Lords an effective legislative and scrutinising chamber. It must now regain public trust. It should establish its own independent Lords commissioner for standards, and give itself the power to fine and to suspend recalcitrant peers. The culture celebrated by Lord Neill has become as irrelevant to modern times as the annual Gentlemen v Players cricket match at Lord's.

Vernon Bogdanor is Professor of Government at Oxford University. His book *The New British Constitution* will be published by Allen Lane this year

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From Times Online

January 30, 2009

Exclusive: Peers for cash investigation - new undercover footage

The Sunday Times has released secret video and audio in which Lord Truscott offers to help reporters 'facilitate' a bill amendment

Jonathan Calvert

[New secret audio recording](#) | [The scoop: how we broke the story](#) | [Insight: price for a peer to fix the law](#) | [Comment: Lords not so noble anymore](#) | [Red Box: the politics blog](#)

The *Sunday Times* secretly filmed Lord Truscott, one of the four peers who the newspaper revealed were prepared to assist in changing legislation for cash, during a meeting with the undercover reporters in the St James' Hotel and Club in London on Wednesday January 21, 2009.

The recording shows Truscott telling the reporters, posing as lobbyists, that he will work with them to "facilitate" the amendment to the Business Rates Supplement Bill on behalf of their client.

Discussing the strategy for their lobbying campaign, he says he will help identify the members to talk to so that he and the reporters can approach them. He offers to meet the "Lords people" on his own.

Later he describes how he had previously helped to ensure that the Energy Bill was favourable to a paying client who sells "smart" electricity meters.

The *Sunday Times* [has also released an audio tape](#) recording from the first meeting between Truscott and the two reporters at the House of Lords on Wednesday January 14. He discusses his fee of £2,000 a day, which would have amounted to £72,000 a year for the three-day-a-month contract he eventually proposed.

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From The Sunday Times

February 1, 2009

Lords for hire

Members of the House of Lords should act primarily out of public interest. Yet some seem too ready to sell their services

[Archer and Black to be ousted from Lords](#) | [Exclusive: Peers for cash investigation - new undercover footage](#) | [New secret audio recording](#) | [The scoop: how we broke the story](#) | [Insight: price for a peer to fix the law](#) | [Comment: Lords not so noble anymore](#) | [Red Box: the politics blog](#)

Earlier this month Lord O'Neill of Clackmannan, a Labour peer, walked into the public bill office in the House of Lords with a clutch of amendments to a proposed law going through parliament. The clerks checked the amendments and agreed to their publication.

O'Neill, president of the Specialist Engineering Contractors' Group, was trying to change a bill about the construction industry so that it would favour his organisation's members. He is paid a fee by the group, but does not disclose how much.

Then last weekend O'Neill, a former MP, picked up The Sunday Times and was aghast. The newspaper carried extensive reports about members of the House of Lords who were apparently willing to assist in amending laws in return for payments. The reports were already making waves and O'Neill realised the amendments he had put forward could be badly misconstrued.

"I had tabled amendments in the way I used to do when I was a backbencher," he explained last week. "To be frank, I didn't really think about it too much. Then I read at the weekend the exposé and thought, 'God, I shouldn't be doing this'."

On Monday he hurried back to the bill office and asked for his amendments back. "I went into the Lords, saw the chief whip, spoke to the house authorities and took the necessary steps to get all the amendments removed," he said. "I gave explicit instruction that everything in my name should go."

One of the fundamental principles set out in the code of conduct for the House of Lords is that members "must never accept any financial inducement as an incentive or reward for exercising parliamentary influence"; another is that members "must not vote on any bill or motion, or ask any question in the house or committee, or promote any matter, in return for payment".

Had O'Neill broken the rules? He thinks not, on the grounds that he is not "paid specifically to put down the amendments". But like many peers he is now uncertain over the interpretation of the rules. "I felt it was a grey area and the simplest way to get out of the grey area was to withdraw the amendments," he said.

The Sunday Times reports had thrown light on an aspect of the Lords that has gone untested for too long: the impartiality of its members. Could they be bought? Many lords recognised the danger at once.

Lord McNally, the Liberal Democrat leader in the upper house, took a call from an elderly peer who said: "It's the first time in decades of service I am ashamed to be a member of this house".

Baroness Royall, the Labour leader in the Lords, issued statements and hurried into print, declaring that: "If there are abuses, they must be rooted out." As media reports of the furore spread, Lords from both main parties gathered in crisis meetings. Various peers hurried to declare interests that they had previously not included in the public register.

This weekend further evidence has emerged of practices that might highlight the ambivalent role of parliamentarians. They include Baroness Valentine, the £185,000-a-year chief executive of the business group London First, tabling amendments to a planning bill, in an attempt to make changes for which her own organisation had campaigned. She said she was acting in the best interests of London and development and had always correctly declared her interest.

Baroness Coussins, who provides corporate responsibility advice to the food and drinks industry, tried to stop and then mitigate the impact of a bill on alcohol health warnings. She said she had always declared her interests. And Lord Berkeley, who earns about £40,000 a year as chairman of the Rail Freight Group, tried to amend bills on Crossrail and the Channel Tunnel Rail Link in the interest of the freight industry. He says he was acting independently and correctly declared his interests.

Just as with revelations 15 years ago of MPs being paid to ask questions in the House of Commons, the implications are far-reaching. The result of the cash for questions scandal was the imposition of more rigorous rules and greater transparency for MPs. Politicians of all parties believe the same must now happen for peers.

Lord Campbell-Savours said: "I have seen a lot of very, very upset and angry people. It is inconceivable that the rules will remain the same after this. Too many important people are too angry for there not to be change." Another Labour peer, speaking on condition of anonymity, said: "These events make the case for urgent reform of the Lords vital." McNally said: "I am grateful for The Sunday Times jolting us out of our complacency. We have been unbelievably complacent. Urgent reform is needed - as soon as possible."

THE Lords have long guarded their privacy. When the committee on standards in public life was set up after the cash for questions affair, it always intended to investigate the Commons first, then the Lords. Peers were none too happy at the prospect.

They preferred to investigate themselves, and gave the task to a committee headed by Lord Griffiths, a law lord. Among those who argued that the House of Lords was honourable enough to police itself and should exert its primacy was Lord Archer, the novelist who was later jailed for perjury. Others were less convinced of the probity of all members of the upper house. Lord Lester, a lawyer who had recently become a peer, gave evidence to the Griffiths committee that one of his legal clients had paid peers to amend legislation.

"I got into huge trouble," Lester recalled last week. "I was attacked and sent to Coventry for six months. The culture at the time was one in which peers were openly being paid large sums to sponsor legislation. And no one thought there was anything wrong with it."

Griffiths did come up with some powerful conclusions on how members should behave. In setting up new rules, he told the Lords that they should always act with honour and not accept financial rewards for parliamentary influence. "I should have thought that was self-evident," he told the house, otherwise a member would be "perceived by the public outside as selling his voice and, worse still, selling his vote".

For all his exhortations, the resulting code of conduct for Lords suffered from several weaknesses. First, unlike the Commons, there was no independent scrutineer. Second, sanctions were feeble: lords could still be kicked out of the house only by an act of parliament. Third, even though Lords had to register outside interests, they did not have to give full financial details - again, unlike MPs.

If members declare a "parliamentary consultancy" - being paid for advice about parliament - they have to give details. Hardly any lords declare such consultancies. Instead far more declare "nonparliamentary" consultancies, which supposedly do not relate to their work in the Lords - and for which they do not have to give details.

The system grew to be so lax that in 2007 a Labour peer, Lord Hoyle, admitted taking money from an arms company lobbyist and introducing him to the government minister in charge of weapons procurement. It caused concern, but no reform.

Other peers failed to declare their interests during proceedings in the house. In October last year Lord

Taylor of Blackburn asked a question in the Lords about gas storage - without declaring that he was a paid consultant to Canatxx, a gas storage company. Taylor apologised a week later.

The Sunday Times decided to investigate further and sent undercover reporters, posing as employees of a lobbying company, to contact Taylor offering to hire him as a parliamentary consultant. The aim was to find out whether, among other things, Taylor would be willing to change legislation.

Nine other peers who already had consultancies or were company advisers were also approached in the same way. Seven peers agreed to meet the reporters; and three Conservative lords failed to return repeated calls.

When the reporters met those peers who did accept the overtures, they explained they were working for Lou Li Jiang, a fictitious Hong Kong millionaire who was supposedly setting up a chain of retail outlets across the UK. The lords were told that Mr Lou wanted to amend the Business Rates Supplements Bill, which was going through parliament.

One of the peers, Lord Oxburgh, was genuinely bemused by the idea that he might be paid to help amend a bill he had no interest in. Over a cup of tea in the Lords, he told the reporters politely but firmly this was work he wouldn't do.

Lord Rogan, a former president of the Ulster Unionists, was even more forthright. "If your direct proposal is as stark as for me to put an amendment down or help to put down an amendment that's a nonrunner: a, it's not right and b, my personal integrity wouldn't let me do it," he said.

However, a number of Labour peers were willing to give assistance. They were Lord Taylor; Lord Truscott, a former energy minister; Lord Snape, a former government whip; and Lord Moonie, a former defence minister. Last week all four made it clear during their discussions with The Sunday Times that they did not think they had broken the rules.

So what did they agree to do? Taylor, a blunt 79-year-old, told the reporter that amending legislation for paid clients was the sort of work he had done before. He claimed that he had changed legislation for Experian, the credit check company. When the reporter asked him what his fee structure would be, he replied: "Some companies that I work for will pay me £100,000 a year . . . That's cheap for what I do for them."

Over lunch with two undercover reporters in mid-January, Taylor said he would work to amend the rates bill and talk to ministers to make the case on behalf of the Far East client. He agreed a fee of £10,000 a month. Truscott was initially careful when he met the reporters for afternoon tea in the peers' dining room. Though he said he was willing to help the reporters for his normal fee of £2,000 a day, he said that he would draw the line at lobbying. By the end of the meeting, however, he was offering to contact other peers, officials and ministers.

Realising the the campaign to amend the rate bill might take more work than he had originally thought, he e-mailed the reporters offering to do three days' consultancy a month, at a rate equating to a fee of £72,000 over the year.

Moonie made it clear that he could only operate within the rules as he saw them. But he said he would be able to identify members of parliament to whom the reporters could make their pitch and help find members who would put down the amendment for them.

Snape at first said he wouldn't be able to work on amending the bill if he was being paid directly by the Far Eastern client. However, he said he thought he could do it if the lobbying company was paying his fees, which amounted to £24,000 a year. "The obvious question that the registrar would ask me would be, 'Who's paying you?' So it has to be either yourself, again it doesn't particularly matter to me, provided I could do it on a blanket basis."

He believed that if he was paid by the lobbying company and not directly by the client, that made a difference. He also drew a distinction between presenting a general case that might benefit all new

businesses and an amendment aimed at a specific client. TO many people it might seem self-evident that being willing to accept money from people seeking to amend the law was dubious at best. If an amendment had general merit, why should they be paid at all? The four Labour peers, however, denied any wrongdoing when the The Sunday Times confronted them with what they had said. Taylor, who had left messages on one of the reporters' phones saying that he was already meeting ministers, denied that he had taken any action.

Taylor: They [the reporters] just asked me about what is happening and so on and I gave them my advice but I am not contracted with them in any way.

Reporter: Oh, I understood you had agreed to a consultancy fee of £10,000 per month.

Taylor: Oh no.

Reporter: And that you had already started doing work for them.

Taylor: Oh no.

He then claimed he had known from the beginning that he was dealing with undercover reporters. "I was playing them along," he said. One of his real consultancy clients, Experian, does not appear to have been impressed. It severed links with him last week.

Truscott said: "What I could do was obviously follow the legislation as it goes through the house and keep them informed, but I specifically said that I would not put forward the amendments myself and they would have to identify people to whom they should make their case." Landis+Gyr, the Swiss-based "smart meter" company that employs Truscott as a consultant, ended his contract last week.

Moonie admitted that he had offered to contact the relevant minister, but explained: "I made it clear to them while I could write to John [Healey, the local government minister in charge of the rates bill] on their behalf, obviously not using House of Lords paper . . . I didn't say that I would use House of Lords paper."

Moonie said he had "agreed to seek to help to find a way of trying to amend the legislation" and added that "to assist somebody in finding a way of getting an amendment put down, yes of course it is within the rules".

Snape argued that he had acted properly because, although he might be paid, he would have been acting for the good of new businesses generally. He said: "I said I was quite prepared to discuss with them how legislation could be changed which would benefit businesses throughout the UK. And if they wanted to take me on as a consultant for their company my usual fees were . . . which I went through."

His lawyers sent a letter to this newspaper saying that the allegation that he had offered to amend legislation for a fee was utterly false and without foundation.

NEWS of The Sunday Times investigation spread fast once the peers had been confronted. At Westminster, Royall was in her office, complete with ornate ceiling and oil paintings, when she learnt what had happened.

At first she thought one peer was involved, and the affair seemed containable. When it became clear at least four were involved, Royall knew the matter could not be dismissed. Liaising with Downing Street, she summoned staff, prepared statements and ordered an inquiry. In Westminster and beyond peers spluttered with indignation and dismay as they read the revelations.

Among some of the hereditary peers who had been excluded from the House of Lords under reforms by Tony Blair in 1999 there was a hint of schadenfreude. True aristocrats were above such grubby dealings, they thought.

Lord Gainford, a Tory hereditary peer whose grandfather served in government, said: "I never heard of anything like this – taking money to change laws. I just can't imagine anyone doing it." Lord Stanley of Alderley, another hereditary peer, said: "In my days I did a lot of work for the farming industry, and all I ever got from them was a dinner." Earl Lytton, a descendant of the poet Lord Byron, said: "At the moment, the

Lords is looked upon as if it were the spoils of war – it's for them [the Lords] and it's for their own enrichment.”

Further investigations have now unearthed more details about Taylor and Truscott's previous dealings apparently relating to consultancy clients. In 1997, Taylor was appointed a director of Canatxx, which was engaged in a joint venture with General Electric (GE) to build a gas-fired power station in his constituency.

Company accounts reveal that Canatxx Energy Ventures paid Taylor £43,264 in 1997 and £45,567 in 1999 through a consultancy run by Janet Robinson, who is now his assistant in the Lords. The consultancy was declared in the House of Lords' register of members' interests.

In his meetings with the undercover reporters, Taylor boasted of his contact with Gary Mohammed, a civil servant who gives the secretary of state recommendations on whether large gas power stations should be built. Taylor claimed Mohammed could tell him whether a power station was likely to be approved before a planning application was submitted.

He said: “There's a little chappie called Gerry [sic] Mohammed, who works in Victoria Street and does all the recommendations to ministers and civil servants. He is only a very low-grade man but he knows more about energy than anyone else.” Mohammed, who is based at the Department for Business, Enterprise and Regulatory Reform, last week denied giving Taylor advance notice of whether planning applications were likely to be allowed, but said he had been lobbied by him.

In 2001 Taylor also took Mohammed for lunch in the House of Lords. Mohammed said: “We ate in the fancy bit [of the House of Lords]. As I had never been in the Lords' restaurant I thought to myself, ‘I'll have a pie and a pint there’. I suppose it's like any restaurant. You pay too much for too little.”

Taylor is now a paid consultant with NPL Estates, a regeneration company which in August 2008 announced plans to build a £600m gas-powered turbine at Fleetwood with Welsh Power. NPL said he was not involved in lobbying or advisory work for the proposed power station. Canatxx said Taylor had not been paid to lobby but to give them advice and “strategic counsel”. Mohammed insisted he was impartial and speaks to “all sides” before making any recommendations.

On Friday Taylor admitted lobbying Mohammed, but said his interests had been declared in person and on the register. His lawyer added: “Lord Taylor has committed no criminal offence and has broken no rule of the House of Lords.”

Inquiries last week also revealed that in February 2008 Truscott sat down for lunch with Malcolm Wicks, then energy minister. Their conversation ranged widely about Britain's energy interests. Wicks said last week: “We had lunch and chatted about all sorts of things, mainly as I recall about Russia, which Peter [Truscott] has a strong interest in. We talked about energy policy.

“One of the big issues for us is that we've got declining stocks from the North Sea and we're having to import more [gas]. We talked about where we're going to get our gas in Europe and Russia crops up, of course it does.”

Truscott is an expert on Russia. He has a Russian wife, Svetlana, and has written three books on the country. He also told our undercover reporters t h a t h e w a s t a l k i n g t o Gazprom, the state-controlled Russian gas giant, about issues of interest to it and their growing presence in the UK gas market.

Sources close to Wicks said he was “incredulous” that Truscott had decided to help Gazprom. “He is amazed that he's involved with them commercially,” the source said. “Gazprom is no ordinary gas company, it's crucial to the Russian economy and everyone knows how close it is to Putin and the state.”

When Truscott met the reporters, he was fresh from lunch with someone from Gazprom, and was keen to reveal more. “I've just had lunch with someone from Gazprom,” he said. “One of the companies I advise, advises Gazprom. I don't advise Gazprom directly. I'd get into Private Eye with even an indirect connection.”

Truscott is paid as a consultant by Gavin Anderson, a PR firm that represents Gazprom's gas exporting arm

and UK subsidiary. He went on to tell reporters how he provides advice to the company's rapidly expanding UK retail arm, which supplies gas to 10,000 business outlets including Chelsea and Manchester United. Truscott said that he recently had dinner with a group of Gazprom delegates, and had given them a guided tour of parliament. "I showed them around the Commons and Lords and after dinner they wanted to [go to] the chamber," he said. "They quite enjoyed that."

It is not clear whether this breached any parliamentary rules and yesterday Truscott could not be reached for comment. His paid role as an adviser to Gavin Anderson is registered with the House of Lords. Wicks said Truscott had not lobbied him or influenced his energy policy in any way.

A spokesman for Gavin Anderson, which has suspended Truscott's consultancy pending the outcome of any investigations, said: "He is employed to give us general advice on parliamentary matters and what was being discussed in the House of Lords. He wasn't advising Gazprom on anything specific. He has never formally met any of the UK executives. We believe he has met them informally at industry events."

Gazprom Marketing & Trading, the UK subsidiary of Gazprom, said Truscott had never acted as an adviser. A spokesman said: "We don't have any political interference in our activities at all."

This week, a House of Lords subcommittee on peers' interests, chaired by the crossbencher Baroness Prashar, will scrutinise more than 100 pages of documents relating to the Sunday Times investigation. Other members of the committee include Lord Irvine, the former lord chancellor, and Baroness Manningham-Buller, the former head of MI5.

The first question for the subcommittee will be: did the four peers approached by undercover reporters break the current rules? But the inquiry opens up a wider question that the subcommittee and the all peers must now finally confront: are the present rules sufficient to uphold the integrity of parliament?

Lord Brabazon of Tara, chairman of the Lords privileges committee, has already been asked by Royall to investigate the code, which has been exposed as lax, ambiguous and open to misinterpretation. The public no longer believes that the noble lords can always be trusted to act on their honour.

The Erminegate cast

Lord Truscott, 49 A Russian expert and a former MEP. Softly spoken and erudite. Works extensively for the private sector, specialising in energy.

Lord Snape, 66 Former West Midlands MP with an acerbic wit. A former railwayman who has since picked up transport work in the private sector. Consultant to FirstGroup, the bus and rail company.

Lord Taylor of Blackburn, 79 Former Blackburn councillor and education adviser to Margaret Thatcher who combines extensive contacts book with business bonhomie. Clients include Canatxx, an energy company. Ennobled in 1978.

Lord Moonie, 61 Former Labour defence minister and one of 16 MPs given peerages by Blair in 2005. Has a nonexecutive directorship with PartyGaming, an online poker house, as well as other business interests.

Lord O'Neill, 64 As a Labour MP, he was chairman of trade and industry select committee. A firm advocate for the business sector. Made a peer in 2005.

Baroness Royall, 53, leader of the Lords Former Labour special adviser and European Union bureaucrat. Only been in her current role since October, but has been calm amid the furore.

Baroness Valentine of Putney, 50 A crossbencher, she combines being in the Lords with a high-powered job as chief executive of the business group London First. A formidable voice for business.

Baroness Coussins, 58 Made a crossbencher in 2007. Runs her own food and drink consultancy, advising on corporate responsibility.

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