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Q&A with lead attorney on Houston's big bank lawsuit

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Now that, as expected, the city of Houston has filed a lawsuit against several big banks over alleged manipulation of the London Interbank Offered Rate, I was able to track down Richard Mithoff, who is representing the city in the suit.

Here's a quick rundown of my conversation Tuesday morning with Mithoff, president of Houston-based Mithoff Law Firm, over the LIBOR suit.

HBJ: The complaint filed this morning said the damages the city seeks will be determined at court. But when we spoke in March, you had mentioned $9 million as an estimate. Does that still stand?

RM: I think that's still the best estimate. The city estimates about $9 million, before tripling, obviously. (The city can sue for three times the damages under the federal anti-trust law). The final calculations won't be made until we're further along into the lawsuit.

HBJ: We know that other cities, such as Baltimore and Los Angeles, have filed lawsuits against the banks linked to LIBOR manipulation. Have there been any recent rulings in similar LIBOR cases?

RM: There are several class actions based in the Southern District of New York, and the judge ruled there some months ago that the federal anti-trust law did not apply to these cases and dismissed it on that ground. That case is on appeal. That's the only appellate action I'm aware of. The litigation is still in its infancy and the major cases are all still pending. There's going to be some sorting out in the courts: Is it an antitrust theory, is it fraud theory? There's going to be a lot of sorting out, and that's what you're going to see for a while in the courts.

HBJ: What's the basic complaint in this lawsuit?

The city of Houston, like any number of major cities, has used what's called swaps, transactions in order to hedge the interest rate that the city is paying the bond holders. When the city floats a bond issue, they have a rate they're obligated to pay. In order to hedge that interest rate, Houston would pay the swap provider for a fixed rate, and Houston would in return receive a variable rate based on LIBOR. When LIBOR rate was … set in a way that didn't actually reflect the true LIBOR rate, some of these transactions lost money and, we think, a considerable amount of money.

Courtesy Richard Mithoff
Houston attorney Richard Mithoff is representing the city of Houston in its lawsuit against several big banks.

CE: What the implication of alleged LIBOR manipulation for Houston taxpayers?

It certainly impacts the revenue coming back to the city. When there's a shortfall there, it has to be made up somewhere. The city of Houston, just like the rest of us, had no reason to think the LIBOR rates were being manipulated.

Collin Eaton covers banking, finance and securities for the Houston Business Journal. For his breaking stories and industry insights, follow him on Twitter.