



GEORGE KEREVAN MP

HOUSE OF COMMONS
LONDON SW1A 0AA

3 February 2017

To: António Horta-Osório, Executive Director and Group Chief Executive, Lloyds Bank

Dear António,

I write in the first instance to thank you on behalf of the All-Party Parliamentary Group on Fair Business Banking for Lloyds' interest in our work towards creating a better dispute resolution between lenders and SMEs. As we move toward Brexit, it is imperative that our SMEs have confidence in our financial system. A critical part of this confidence is that they have adequate recourse to impartial dispute resolution and perhaps even more so that SMEs feel they have a more equal relationship with large lenders.

With the recent convictions in the HBOS Reading Trial, we are at a point where, once again, there are a large group of aggrieved business people who have lost their livelihoods. Critically, many have endured years of financial duress and personal stress. I understand fully that the individuals convicted were acting on their own and that the criminal activity took place under the previous HBOS ownership.

However detailed complaints and concerns regarding this criminal activity were raised with senior HBOS management at board level and as early as 2007 and were repeated to senior Lloyds management after the takeover. In both instances, there was an internal failure to adequately investigate these complaints. Further, police investigations were delayed because both HBOS and subsequently Lloyds informed the authorities that it was the bank that was the wronged party - rather than the small business customers - but that the bank had no wish to pursue a prosecution.

In this light, I write to ask (1) for some assurance that the bank will review the circumstances surrounding its handling of the Reading fraud and publish the result; (2) that you can provide me with an assurance that there are protocols in place to ensure there is no repeat of this failure to act

should a similar fraud take place; and (3) that the victims of the fraud will receive proper compensation, as some are still enduring hardship as a result.

On a more forward thinking note, the APPG on Fair Business Banking has this week launched an Inquiry into dispute resolution processes covering small firms and their lenders. I would like to offer Lloyds the opportunity to offer evidence. I would also like to discuss the possibility that the bank might consider helping us with a pilot scheme for alternative dispute resolution (ADR) which can which can feed into the outcome and recommendations of the inquiry.

It would be fruitful to have a face-to-face meeting to discuss the above points.

Yours sincerely

A handwritten signature in black ink, appearing to read "George Kerevan". The signature is fluid and cursive, with a long horizontal stroke at the end.

George Kerevan MP

Chair, APPG for Fair Business Banking and member of Treasury Select Committee.