



George Kerevan MP
Chair All Party Parliamentary Group for Fair Business Banking
House of Commons
London SW1A 0AA

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Dear George,

Thank you for taking the time to write both to myself and Lord Blackwell.

I fully agree with your view that the country's SMEs must have confidence in our financial system. A key part of building that confidence between lenders and SMEs is an impartial resolution process. On that basis we will submit evidence to your inquiry on dispute resolutions and I can confirm that we will work with the All-Party Parliamentary Group to develop and test approaches in order to provide access to an impartial resolution for all those who require it.

You also note the recent conclusion of the trial in which a number of individuals were convicted, including two former-HBoS employees. While it is the role of the police to investigate criminal conduct, the Group has assisted Thames Valley Police fully since they launched their investigation in 2010. The police have investigatory powers beyond those available to the bank and could carry out a more detailed and wide-ranging investigation than the bank. It was also important that the Group did not do or say anything during this period that could subsequently prejudice the trial.

These criminal activities, which took place prior to the acquisition of HBoS by Lloyds, were an unacceptable abuse of customer confidence and our values. Now the trial is concluded we would like to express our deep regret and apologies to any customers who were directly affected by the criminal behaviour of these individuals. We are now able to take action to review the cases of all those who may have been affected and, where appropriate, to ensure they are fairly recompensed.

In consultation with the Financial Conduct Authority, Lloyds will appoint an independent third party as part of the review. LBG will agree with them the scope, methodology and individual case outcomes of the review. I have attached a copy of the announcement that we have issued today that sets out our intentions to review customers' cases and the scope of that review.

Since arriving at Lloyds in 2011, I believe that the management team has significantly strengthened systems and controls, and we have changed the culture of the bank to ensure it focuses on putting customers first. I am very strongly of the mind that our Group has a responsibility to focus on our core purpose - helping Britain prosper - and that meeting our responsibilities to customers underpins this.

In terms of next steps, I have asked Andrew Bester, Chief Executive of our Commercial Bank, to contact you and arrange a time to meet and discuss these points with you in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'A. Horta-Osório', written in a cursive style.