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House of Commons
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15th October 2018

Dear Kevin,

Thank you for your letter of 4th October. I am grateful to you and the Fair Business Banking APPG for raising these issues with me, and I would be happy to meet with you to address the points you have made in detail.

As we explained in our statement on 4th September, Paul Pester and the Board agreed that this was the right time for Paul to step down from his role at TSB.

As you note, the payments which Paul received reflect the terms of his contract. Importantly, the release of variable pay will take into account the outcome of performance conditions as well as ongoing regulatory and independent investigations. I completely agree that there should be no rewards for failure, and this applies to the whole of the TSB executive team, not just Paul Pester.

Meanwhile, as you observe in your letter, the TSB Board has appointed Slaughter and May to carry out an independent review of the IT migration. The purpose of this review is to consider TSB's decision-making and governance procedures in relation to the migration project, the decision to migrate, and the response to issues that arose following migration, so that TSB can learn from, and act on, the findings.

We will publish this review in full once finalised, save only for the redaction of commercially confidential information, so that there is transparency about these issues and to ensure others can learn from our experience. I would be happy to write to you with a copy once the review is complete.

This independent review is running alongside a number of regulatory investigations, including by the FCA and PRA. It is for the ongoing regulatory investigations to assess any regulatory breaches and where the responsibility for any breaches may lie.

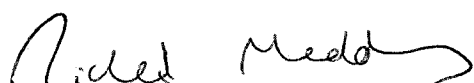
In the meantime, my absolute focus continues to be on the three priorities we set out in September, namely:

1. Completing the work of putting things right for customers;
2. Enabling the Bank to achieve full functionality – including the availability of all product services including the launch of a leading Business Banking offer; and
3. Appointing a CEO for the next chapter of TSB.

I would be happy to meet with you to discuss these matters in more detail and we will of course keep you and the APPG updated on our progress in the coming months.

In the meantime, I understand that you are likely to receive the Government's response to your proposal for a Financial Services Tribunal shortly. TSB agrees that it is essential that small businesses are given the protection they need to thrive.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Meddings', with a long horizontal flourish extending to the right.

Richard Meddings
Executive Chairman, TSB Bank