

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Rt Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

24<sup>th</sup> June 2019

*Dear Philip,*

As you know, I was invited by UK Finance and encouraged by HM Treasury to join the Implementation Steering Group of the Dispute Resolution Service, the body established by the industry to resolve disputes between banks and SMEs.

According to the Financial Times' article "Kevin Hollinrake accused of hiding conflict of interest" of 20<sup>th</sup> June 2019, Treasury officials are amongst those who are "concerned about why it [my interest] had not been disclosed previously". The article goes on to say that I was "resisting pressure to step down from the steering committee".

I am very disturbed by the allegations, which I believe are untrue and without foundation, but principally that Treasury officials might seek to undermine my role and credibility in this way. I was also approached by a major TV news station with similar allegations only a few days earlier, therefore, this seems to be a deliberate and coordinated attempt to discredit me.

I can confirm that John Glen, who has always gone out of his way to work courteously and constructively with me, had expressed concerns that banks might seek to exploit the perceived conflict of interest, but I have never had any formal or informal request from anyone in HM Treasury to step down from the steering group or even that they personally held reservations. It seems highly inappropriate that civil servants might seek to use their influence in this way, particularly using the media to defame an elected Member of Parliament rather than using appropriate channels to raise any concerns they might have.

I have enclosed a summary of the allegations and rebuttals but I would very much appreciate an early understanding of HM Treasury's role in this episode.

*Best wishes,*

*Kevin*

Kevin Hollinrake MP  
Co-Chair of the All-Party Parliamentary Group on Fair Business Banking

Cc:  
John Glen MP, Economic Secretary to the Treasury  
Lewis Shand Smith, Chair of the Dispute Resolution Service

## Conflict of Interest – allegations and rebuttal

FT article <https://www.ft.com/content/4f7b48c6-92b2-11e9-b7ea-60e35ef678d2>

“People at four different institutions said banking executives and Treasury officials were concerned about why it had not been disclosed previously. One banker involved in the discussions said: “The fear was this wasn’t something that was being pursued purely on the grounds of developing better public policy — there was a perception that some people involved might have something to gain.”

1. *I declared my interest to the ISG on 27<sup>th</sup> March 2019 both in writing and verbally.*
2. *The vast majority of the DRS cases would not have any connection to this interest, and my business is not, nor is there any potential that it will be, eligible for the DRS.*
3. *I have recused myself from any parliamentary, APPG or DRS work that relates to this conflict of interest. Appropriate steps were taken to ensure that correspondence with CYBG goes via Stephen Kerr MP.*
4. *I wrote to CYBG and told them that I would donate any relevant proportion of any compensation to the running of the APPG. I am happy to donate this to an entirely separate charity if this is not a sufficient demonstration of my impartiality. Either way, there is no possibility that I will benefit personally from any action.*
5. *I have never placed my personal interests ahead of my parliamentary activities. Indeed, I recently argued in favour of the Tenant Fee Ban, which, on the face of it, will cost my business around £600k per annum in lost revenue.*

The informant told one of the journalists that I was about to resign from my role on the ISG.

*This is untrue, and I have never been approached by anyone from either the banks, the Treasury or the DRS about this. The only pressure I receive to step down is from constituents who are concerned that the process is a ‘whitewash’ and they believe the APPG should have nothing to do with it.*

We have also heard rumours that the Treasury has asked Stephen Kerr MP to replace me on the Dispute Resolution Service (DRS) Implementation Steering Group (ISG) because of my perceived conflict of interest with my business, Hunters Property plc.

*Neither I nor Stephen have been approached by any representative of the Treasury regarding our membership on the DRS. Likewise, the only bank that has expressed concern about the conflict to me personally is CYBG, and appropriate steps have been taken to mitigate this.*

I have also been made aware of concerns, supposedly from the Treasury, that they have been frustrated by public statements from the APPG that appear to exaggerate letters from the Chancellor. In particular, our statement of 22<sup>nd</sup> January after the Chancellor’s letter to Lewis Shand Smith of 19<sup>th</sup> January. At no time has anyone from the Treasury raised concerns about the statement of the 22<sup>nd</sup> January with me.

The statement is very clear and quotes the Chancellor verbatim: “will take a continued interest in the scheme and will expect changes in terms of scope and eligibility if it is not bringing resolution to a meaningful number of complaints”. In our statement we also said that the Chancellor has “accepted our calls ... to improve the eligibility, claims limits and governance of the scheme”. I believe this statement to be justified for two reasons.

First, the Chancellor set the expectation that the banks’ default position should be that there is no cap on the amount of compensation awarded. He said that:

*“I would expect the banks’ default position to be paying the amount recommended by the scheme”*

I see this as going significantly further than UK Finance’s proposals which simply state that: “*Under such an approach either the FOS or a voluntary ombudsman arrangement would be able to recommend*

*payment of appropriate additional sums, as the FOS can now for smaller SMEs. Should a bank choose not to follow the recommendation for a payment over the binding level, the business would retain the right either to accept the award up to £600,000 or to take legal action and use the findings of the service in support of their case. In line with the principles of DISP, the dispute resolution service ("DRS") panel will have the power to recommend reimbursement of costs in relation to professional advice but not court costs."*

Therefore, the statement was justified as having a default position puts significantly greater obligations on the banks to award amounts above £350,000 for the historic scheme and £600,000 for the forward-looking scheme, rather than UK Finance's proposals which were simply a recommendation that had to be accepted by the SME or face going to court.

Second, I also noted the Chancellor's remarks when he said:

*"it is right that the scheme does not seek to re-open complaints that have already been settled under a previous independent redress scheme, but offers an opportunity for resolution to SMEs who have not had anywhere independent to take their complaint"*

*"However, I do of course expect the backward-looking scheme to carefully consider the merits of taking forward work on each case presented to it by a business"*

I interpreted these comments to suggest that SMEs who have not had anywhere independent to take their complaint would be given access to the DRS. We do not consider the Griggs Review, the IRHP Review or the GRG review to be independent as the bank ultimately decides the redress. Furthermore, the comment that each case should be presented on a case by case basis clearly opens the door for these cases to be considered.

This view is also supported by the EST's comments in the Chamber on the 19<sup>th</sup> March when he said:

*"I acknowledge my hon. Friend's long-standing efforts in this area. Before I was a Minister, I was a member of that APPG. The whole range of dispute resolution mechanisms that have taken place over the past 10 years all seem to have a very different story. As the Minister responsible, I was keen to ensure that we had a meaningful historical redress mechanism that would give discretion for the banks to examine these individual cases."*

I would also like to add that the Chancellor's letter also said that:

*"it is important that the industry continues to demonstrate that it has learned from the events of the past, and can demonstrate how this has led to cultural change within the banks".*

I feel that this may well be a desperate attempt to silence me and prevent me from fighting for justice for SMEs and for individuals within the banking sector to be held to account. Those responsible are using their press contacts to avoid parliamentary scrutiny and it appears that this cultural change has yet to take place.

No-one has had the courage or conviction to raise these concerns with me directly. Rather, they have decided that the best course of action is coordinated skullduggery. It is underhand, dishonest and cowardly.

This is yet another attempt, following that of Lawrence Tomlinson and Paul and Nikki Turner, to muddy the waters and deflect from the core issue; the shameful treatment of thousands of businesses who were stripped of their assets as certain banks sought to shore up their balance sheets and make personal gain in the wake of the financial crisis. In turn, this is an attempt to undermine the work of the APPG and, potentially, threatens the work of the DRS.