

Mr Kevin Hollinrake MP
APPG Bankers
House of Commons
London

Cell L1-03
HMP Oakley
Wotton-under-Edge
Rugby
25.3.15

Dear Mr Hollinrake,
Re HBOS - Reading.

I am writing in the hope that I may assist you in your investigation via APPG into the actions of HBOS and their covering up of the performance of their High Risk Division in Reading.

I am sending you my comments via my MP Mr Nadhim Zahawi who I know, has already been in contact with you.

I am sending you ^{also} a copy of a report entitled "Project Lord Turnbull" which was produced by Sally Masterson who was a Senior Manager at HBOS Head Office during the time in question. Ms Masterson also produced an earlier report "Sally Masterson" which Nadhim will send you in the next couple of weeks.

You will see from both Reports that the internal reporting systems at HBOS Head Office were robust to say the least, and it is impossible that the progress of the Reading Division was not reported to them in detailed and timely fashion.

What I hope to demonstrate is that not only did the Senior Executives at HBOS have their internal systems to rely on but that they were regularly informed of Reading's problem companies via several different channels. (I explain these in my reports.)

There is little doubt in my mind that your investigation will uncover a determined and comprehensive cover up of ^{vital} bad information which was perpetrated by the HBOS Senior Executives / Directors. Their attempts at self-preservation were carried out with total disregard / contempt for those innocent people who would be affected by their actions.

Please do not hesitate to contact me, via Nadhim, if I can be of any further help.

Yours sincerely
Michael Bannister.

innocent

REPORT BY MICHAEL BANCREFT

25. 3. 18.

HBOS READING INCIDENT + HBOS MISCONDUCT

Mentioned
mentioned in this report are :-

Sally Maskerson - Author of Lord Turnbull Report.
Chartered Accountant and former
Senior Manager HBOS Edinburgh

Paul Burnett - HBOS Director of High Risk
and Non Performing Assets - Edinburgh Head Office - Responsible for Reading

Tom Angus - HBOS - Head of Impaired Assets

Andrew Scott - HBOS - Director London High Risk

Ivy McMillan - HBOS - MD Corporate Risk

Peter Cummings - HBOS Corporate C.E.O

Sydney Scarfield - HBOS Director Reading

Fiona Berger - HBOS Executive Risk - Reading

D Crawshaw - KPMG Director Reading Office

Qvayside Corporate Services (QCS) Consultants

Michael Bancroft - Senior Consultant QCS

F T + R - Large Manufacturing Company in
South Wales - existed for many years and had
traded at a loss throughout this period.

Auditors resigned when challenged a Balance Sheet
Validity.

Some significant points to consider

1. Statements by Tom Angus. (Copies to follow)
 - " Our Auditors KPMG
 - a) ~~KPMG~~ would just sit on the fence and wait to see which way we will jump'
 - b) Michael Bennett is ^{generally} regarded as an HBOS Employee as he represents our interests ^{so} well.
2. Re-achon ^{from} by Peter Cummings when told ^{about problem at} Reading - "I know about it and am quite relaxed (See Masters Report)"
3. Dismissal of Paul Burnett - Very large severance payment and signed non-disclosure contract - Told went he was unaware of problems at Reading
4. Destruction of Lyden Scorefield's - Lap Top Material by executives at HBOS Edinburgh. (See Masters Report)
5. Non-disclosure of Masters' 2 Reports in Reading Criminal Trial.
6. David Crowshaw of KPMG reported regularly to Lyden Scorefield and yet nothing has been heard from him - ~~is~~ ^{he} ~~was~~ ^{is} complicit in covering up bad news - possibly?
7. Why has the appointment of a Compliance Officer reporting on Reading's progress, ^{been} ~~not~~ made public before now?
8. Many of the distressed companies operated by HBOS Reading had been insolvent for many years. In the case of FT&R, the Auditors had resigned and Company declared INSOLVENT. This was never announced and HBOS continued to support this heavily loss making Company - a decision which surprised many.

Corporate

Poor

How HBOS KNEW OF READINGS PERFORMANCE

It is my belief that in addition to their internal Head office checks and balances (see Mastercard Report) Senior Executives had a continual and comprehensive supply of information from the "men on the ground" working in or around the Reading offices. The progress reports came via:

HBOS

1/ APPOINTMENT OF COMPLIANCE OFFICER (READING).

In 2004/5 HBOS appointed CLIVE FORTIS a qualified Chartered Accountant to ~~work with~~ to carry out liaison between HBOS Reading and QCS and HBOS Edinburgh. Mr Fortis shared an office with Mr Janowitz and travelled extensively with him on visits to the Distressed Companies. He spoke regularly to his Head office and wrote a weekly progress report. He was well aware of the severe problems existing in the ~~the~~ distressed Companies, and knew of their historic poor performance.

2/ REGULAR PERFORMANCE MONITORING BY HBOS HIGH RISK EXECUTIVE

The Executive FIONA BENEER was made responsible for checking the validity of ALL CHEQUES issued weekly by Companies working within the Reading Portfolio. I was ^{also} instructed to forward all ^{my} monthly Credit Card statements to her for checking.

(This was not unusual as another Senior Manager - IRENE KENNEDY based in Edinburgh required all cheques issued by Remnant Media (another Reading distressed Company) to be listed weekly for her personal approval.)

3/ REGULAR UPDATES GIVEN TO PAUL BURNETT.

There were regular telephone conversations between QCS Consultant M Bancroft and Paul Burnett. These were at his request and Mr Scouffed in Reading was not normally a party to these calls.

In addition, - Mr Burnett requested a wide-ranging review of the Companies under the control of Reading and QCS. This took place in QCS London office in Gloucester Place. Consultants and Executives of many of the distressed companies in the Reading portfolio gave presentations and a new business plan was produced which was approved by Mr Burnett.

(Copies to follow)

LETTERS & MBS wrote several letters to HBOS informing them of the critical condition of several companies under the Reading umbrella. These included highly critical material relating to the lack of profitability (going back many years in some instances) and the poor levels of management. In particular ~~the~~ serious questions were put to the Bank concerning FTR, COTTON BOTTOMS LTD, MSG. ~~etc.~~

[IT IS IRONIC THAT TWO OF THESE COMPANIES HAVG MADE SUBSTANTIAL CLAIMS AGAINST LLOYDS - NONE OF THEM HAD EVER TRADED PROFITABLY!]

In the case of FTR HBOS attention was drawn to the fact that the company's Balance Sheet was unsound and that the Stock Valuation had been grossly inflated. The company was effectively insolvent and the Auditor duly resigned. When informed of this - the instruction from the Bank - was - "make a new plan and carry on"!

VISITS TO EDINBURGH.

Following the review meeting, mentioned earlier I was asked to visit HBOS Head Office to explain to the Director what I proposed as the best way forward for the distressed companies I was working on. I duly visited Edinburgh in 2005 and met several Board Members - I do not remember all the names but I recall Mr McMillan, Mr Scott, Mr Wommings and I think Lord Stevenson was present. I explained the financial position of several Reading Companies and told them of my plans to return these loss-making companies to profitability. I received an enthusiastic response and told to "Go Ahead" - We will back you!

CONCLUSION. There can be little doubt that the Senior HBOS Executives were fully aware of the critical state of the Reading Operations. They chose to ignore the evidence their own internal reporting systems ~~had~~ gave them (as indeed they had for many years) and also the regular "on-site" feedback. ~~from~~ The Compliance Officer & High Risk Executive, in depth corporate review meetings as well as many letters & E mails informing them of the problems at Reading. It is wrong to put the blame solely ~~on~~ were also ignored.

on one man (Sydney Scofield) as the problems went much deeper. There was a clandestine policy/conspiracy with the Bank's Head office to "hide bad-news". It is beyond belief that not one single executive within HBOS read the many reports ^{warnings} to the disaster that was looming. Mr Masterson explains in detail how Senior Executives contrived to WURTELHISE the situation, and committed criminality when hiding the truth from the FSA enquiry. The Bank's Senior executives relied on the support of Warren & the ground, in this case Tom Angus and Paul Burnett, to hide the seriousness of ^{the} financial predicament of many of the Reading's Distressed Companies. They were prepared to go to any lengths to avoid the crystallisation of the debts incurred at Reading. This subterfuge was to take ~~of~~ the Rights Issue ^{subscribers} ~~constitutes~~, any potential Buyers of the Bank, and defrauded the shareholders into the bargain.

In concluding, may I respectfully point out that I was convicted of "Fraudulent Trading" and yet it is clear from the evidence that the Bank considered me an employee (albeit a temporary one) and gave their agreement, and indeed their encouragement to what I was carrying out on their behalf. Their avoidance of responsibility in this case has hurt many innocent people, and has cost me my career, my freedom, and quite possibly my home. For these reasons, I wish you and the APPG every success in your investigations, and ^{I hope} that you will be able to uncover the truth and full facts of this tragic case.

Please do contact me via Mr Zahawi if I can be of any further help.

Yours sincerely,

Michael Bancroft