



HOUSE OF COMMONS

LONDON SW1A 0AA

The Lord Blackwell
Chairman
Lloyds Banking Group plc
10 Gresham Street
London EC2V 7AE

30th July 2018

Dear Lord Blackwell,

It is with great frustration and disappointment we must write this open letter.

Over the last eighteen months, we have made numerous representations to Lloyds on behalf of the victims of HBOS Reading and the internal compensation scheme being overseen by Professor Griggs on your behalf. You will remember that we also raised this issue with you at our meeting on June 21st in my offices. In our view, the victims of the HBOS Reading Fraud are still being treated with contempt by your bank.

There is clear evidence that the offers being made are in no way consistent with the losses experienced or reflect the damages incurred by those business people whose life's work has been torn from them. Many of those who have accepted settlements have done so as they have no other option. Many are in dire financial straits with their backs to the wall after years of bank-imposed destitution or are simply too tired to fight, knowing that to do so could take up many more years of the lives already shattered by this fraud.

The bank has all the time and resources it needs to draw this out whilst the victims do not. This unfairness cannot continue and needs to change now.

We have recently received a report from SME Alliance that was previously sent to the FCA, and we have also spoken extensively and in detail with other victims. The tone and nature of the criticism we have received from numerous sources, is entirely consistent. In particular:

- Victims are being told their businesses were already failures and had no hope of survival but are denied access to any forensic accounting or other documentation used to come to this conclusion. Bearing in mind these businesses came under the control of proven fraudsters, this is an untenable argument which His Honour Judge Beddoe confirmed as such in his summing up of the criminal trial. We fail to understand how it is in the gift of the bank to ignore the statements and direction of a Crown Court Judge.
- They are often criticised with personal and irrelevant details being used as an excuse to undermine their position and as an attack on their character. This is victim-blaming at its core and is entirely inappropriate and immoral.
- They are given take it or leave it offers and, whilst they are given a follow up meeting, any discussion about methodology or the actual basis of the calculations, is strictly off limits, rendering the meeting pointless and simply compounding their distress and frustration.
- The bank decides its offer based on what it believes an individual should be given but offers no justification for its position, save the first two points above which are fundamentally attacks on the victim's integrity.

- The evidence we have seen indicates those who make the most noise are given higher offers than those with less public profile. This indicates a complete lack of objective methodology.
- The eligibility criteria for who is invited to participate in the review is fundamentally flawed. Only victims who were directors of the companies affected can participate. Victims who were shareholders but not directors of affected companies are excluded.
- Furthermore, the bank either refuses to look at any cases in which people had contact with the deputies of those convicted or minimises its offer of compensation because there has been no direct contact with those convicted. The deputies took direct instructions from, and were accountable to, those convicted. To say those who had contact with them were not victims is equivalent to saying you are only a victim if you had contact with Al Capone and not with any of his deputies. It is illogical.
- We understand the bank is now insisting it is not its policy to make any interim payments and is withholding payments for legal representation. This is contrary to public promises and those under financial duress should not be squeezed into a position in which they need to accept a substandard offer. This is a basic abuse of resource and power.
- Many of those who have accepted have stated they were not at all happy with the process or the results but felt they had no choice other than to accept. There is no appeals process and the bank's advice that victims can always resort to the civil courts is seen by victims as a deliberate and cruel taunt as the Bank knows its victims are financially disadvantaged due to the fraud. It goes without saying that the APPG cannot support any 'take it or sue us' approach in even the most basic disputes. Using that approach for victims of a fraud of this magnitude beggars belief.

We have made this clear before but we will repeat this again. We have no trust in such an opaque process. We have no faith in the position of Professor Griggs as independent reviewer and the arrogance of this approach can no longer be countenanced.

It is time we get back to a very basic point; the purpose of this process is to compensate victims of a proven fraud. ***This is not a trial of the victims.***

We are writing to the FCA to express the same concerns above. We will specifically bring up the responsibilities of the executive board under the Senior Managers and Certification Regime (SMCR). We will also bring up the following specific points and will be copying this letter to the executive and non-executive board of the bank:

- We are concerned about the basic treatment of victims, as outlined above.
- We are concerned that any documentation upon which the bank is relying, is fundamentally tainted. Any contemporaneous, internal documentation with regard to the health or otherwise of the companies, would have been in the control of those convicted and usually created by their lieutenants. It cannot, therefore, be relied upon. We have to question whether it is appropriate and responsible for a firm or its executives to rely on this for any assumptions. At the very least, core documents should be disclosed to the participating victims, so that the validity of the documentation can be properly tested. Additionally, the Bank's insistence the businesses would have failed in any event, fails to recognise it was a key part of the fraud to load the businesses with debt.
- The APPG has spoken to turnaround units in other banks who cite a success rate of 80% of businesses turned around and returned to health after entering its unit. This is based on effective,

early intervention and appropriate treatment of customers. According to the information you supplied to us, only 4 out of the 76 cases Professor Griggs has reviewed were considered viable and therefore subject to compensation for consequential loss. Any suggestion that 95% of the businesses that entered the Reading department were doomed to fail, is fundamentally flawed. Even if in distress, with correct treatment and support a business can be turned around and it should certainly be assumed the bank would have acted responsibly and in good faith to support these business clients.

- We are concerned about the allegations in the Draft Project Lord Turnbull report which provide clear evidence that not only HBOS but also Lloyds were aware of the frauds at Reading at the time of the takeover of HBOS by Lloyds. The bank will need to reconsider its position if these allegations are upheld and we would posit that any 'full and final' settlements by victims would be based on a false premise and need to be reconsidered.
- We are aware Thames Valley Police have made a formal complaint to the FCA about Lloyds' approach to cooperation in the criminal trial. Again, Lloyds must take responsibility for any role it may have played in prolonging the distress of the victims of this crime.

We are more than eighteen months into this process. We appreciate some of the cases were delayed for reasons outwith the bank's control. However, with the right level of honesty, acceptance of wrongdoing and a willingness to provide fair and appropriate compensation that puts those who have suffered mistreatment at the hands of their bank, these cases can be settled quickly. This has been a long and sorry saga and whilst it's within the gift of the bank and the bank alone to put this right, we call on it to do so without delay.

Yours sincerely,



Kevin Hollinrake MP

Co-Chair for the All Party Parliamentary Group on Fair Business Banking

Cc

António Horta-Osório, Executive Director and Group Chief Executive

Juan Colombás, Executive Director and Chief Operating Officer

George Culmer, Executive Director and Chief Financial Officer

Anita Frew, Deputy Chairman and Senior Independent Director

Alan Dickinson, Independent Director

Simon Henry, Independent Director

Lord Lupton CBE, Independent Director

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Nick Prettejohn, Independent Director

Stuart Sinclair, Independent Director

Sara Weller CBE, Independent Director