



HOUSE OF COMMONS

LONDON SW1A 0AA

Andrew Bailey  
Chief Executive  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

30<sup>th</sup> July 2018

Dear Andrew,

We are very concerned about the ongoing compensation scheme for the victims of HBOS Reading. We have recently received a report from SME Alliance that was also sent to the FCA. We have also spoken extensively and in detail with other victims and their legal representatives. The tone and nature of the criticism that we have received from many 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.

Whilst we understand that the FCA has fewer powers in commercial banking, we have been assured that the Senior Managers and Certification Regime has brought the FCA further and significant powers. Bearing in mind our concerns raised today relate not to past misconduct, but current treatment of victims of a proven fraud, I would be grateful for clarification of the powers that the FCA now has to rectify the current position. We have written to the entire executive and non-executive board of the bank expressing the concerns noted above. Given the emphasis that has been put on the SMCR and its role in enforcing appropriate conduct, we would certainly expect that the FCA is now more adequately equipped to deal with such a situation.

We will be placing this letter, and any reply, in the public domain.

*Yours sincerely,*



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