

# LLOYDS BANKING GROUP



Kevin Hollinrake MP  
House of Commons  
London  
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20<sup>th</sup> September 2018

Dear Mr Hollinrake,

Thank you again for your time at our meeting on 6<sup>th</sup> September. We appreciated the opportunity to discuss the various issues of common interest and in particular the ways in which we can continue to contribute to the wider debate on Alternative Dispute Resolution (ADR) for SMEs. We are committed to enhancing the options available to small businesses when seeking to resolve disputes with their bank, thereby providing them with greater reassurance as they seek to achieve their financial and growth ambitions. We agree with you that it is very much in the interests of both small business clients and banks to have a procedure for settling disputes that avoids the time and cost of current legal processes.

It was also helpful to discuss the various observations that you have made in relation to the HBOS Reading Customer Review (the 'Review') – independently overseen by Professor Russel Griggs. As we explained, this was put in place by us, in the absence of an established dispute resolution process, to create a bespoke approach that could deliver swift and fair compensation to victims with independent oversight. The customers of course still have all the existing legal procedures open to them, but our aim was to deliver quicker and faster settlements.

As requested at our meeting, this letter now provides a written response to points raised in your correspondence with the Group's Chairman of 30 July 2018, in line with our discussions on 6<sup>th</sup>.

While I acknowledge that we disagree on some aspects of the operation of the Review, it is important to record that of the 72 customers in the Review over 90% have already received offers of compensation and over 80% of those have accepted the proposed compensation, after taking independent legal advice paid for by the Group. We are working constructively with the remaining customers in the Review to resolve their cases as swiftly as possible.

Review outcomes, and offers of compensation, are based on all the information available, including importantly the information provided directly by victims. We carefully assess this information, as does Professor Griggs with his own team of independent professional advisors. We strongly believe that the offers made are both fair and reasonable.



We offer customers in the Review whatever time they need, both to provide their input and to consider any offer made. This has often taken them some time. However, once they have provided their input we have provided customers with an outcome, on average, within 34 days of receiving their input. We support customers with the reasonable costs of professional advice through this process, as well as help with day to day living costs for those in financial difficulty.

Turning to the specific points raised in your letter:

### **Communicating Review outcomes**

When we explain outcomes from the Review, this does include an explanation of the reasons for our decisions in relation to financial losses. We explain our assessment of the financial position of the company and the sequence of events that led to it being referred to the HBOS Impaired Assets Office in Reading, as well as subsequent actions. If customers have different, or additional, information they are able to provide that.

These explanations are factual and do not attempt to attribute 'blame'. We simply set out the reasons for our decisions in a way that allows customers to both understand and to challenge the decisions where they believe that there is additional information that has not been taken into account.

### **Basis and consistency of offers**

Outcomes from the Review are arrived at through a consistent approach overseen by Professor Griggs, rather than being the starting point for a negotiation. It is not correct to say that offers are on a 'take it or leave it' basis; if a customer believes that there are additional factors that have not been adequately reflected in the Review outcome, then they are able to provide that additional information and have their case reassessed.

Our consideration of financial and consequential losses is being undertaken on a standard evidential basis. Our assessment of individual 'distress and inconvenience' is undertaken against a wide range of contributory factors and is being overseen for fairness and consistency by the Independent Reviewer.

While we are not providing detailed calculations in relation to our distress and inconvenience determinations we are confident that, as intended, the amounts being awarded are many times greater than those that could be recovered in a Court process. All customers have the benefit of professional independent legal advice, paid for by us, to help them consider these offers and assess their fairness.

### **Review participation and customer support**

The scope of the Review has been clearly communicated and considers the potential losses of both former directors and former shareholders in companies that were directly affected by the criminal behaviour of those now in jail. It was these individuals to whom we wanted to provide special and urgent attention once the trial had concluded and the behaviour of the fraudsters proven in court.



Any complaints from customers who were not managed by those convicted of offences have also been fully investigated as part of our normal complaint handling processes.

For customers within the Review we continue to support reasonable fees for professional advice and, as mentioned above, we continue to support customers in financial difficulty with their day to day living costs whilst they remain within the Review.

### **Disclosure of documents**

The Review is a voluntary process and has been designed to be without prejudice to all parties should any cases proceed to civil litigation. We believe this is an important protection for customers.

Disclosure of documents is part of the formal litigation process and while we will naturally meet all of our disclosure obligations should customers decide to proceed down that path, we have created an alternative approach within the voluntary Review to protect customers' interests while allowing us to reach compensation offers without them having to litigate.

We recognise that it is important that all of the available documents, both those on our files and those provided by customers, should be taken into account in reaching a decision on what compensation should be offered within the Review. We are therefore providing Professor Griggs and his team with full access to all of this information and documents.

We believe that our overall approach of considering all information available to us, including customer input, and of giving clear explanations of the reasons for Review outcomes, provides a reasonable basis for reaching fair compensation decisions and allowing customers to assess those through independent advice.

### **Additional points**

We note that you have brought your concerns about the Review to the attention of the FCA and we will of course be happy to answer any additional questions that our regulators might have.

As outlined above, each case has been assessed on its merits and the outcomes have been agreed with the Independent Reviewer. These assessments have included both the financial and non-financial impacts that we have seen arising from the actions of those that have been found guilty and are now serving prison sentences.

In relation to the 'Turnbull' report, I mentioned in previous correspondence that this was received by Lloyds Banking Group and passed on to the FCA and the police at the time in 2014.

The Group's actions in relation to the Turnbull Report will be reviewed by Dame Linda Dobbs as part of her independent legal assessment. Dame Linda will be considering the extent to which the issues related to HBOS Reading were appropriately investigated and reported to authorities at the time as well as the Group's engagement with the TVP which was shaped by our obligation not to risk prejudicing any trial in relation to the matters that were under ongoing criminal investigation.



We appreciate your recognition of the fact that the progress of some cases within the Review has been affected by factors beyond our control. As mentioned above, we continue to engage constructively with all those yet to provide input or to reach a conclusion on whether to accept their offer with the aim of reaching agreement as swiftly as possible.

We remain committed to working with any customer experiencing difficulty in engaging with the Review and would be grateful for your assistance in escalating specific customer examples for us to look at going forward.

Yours sincerely,

A handwritten signature in black ink that reads "Adrian White". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

**Adrian White**

Cc: Andrew Bailey, Chief Executive, Financial Conduct Authority