

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Richard Meddings
Executive Chairman, TSB Bank plc
Henry Duncan House
120 George Street
Edinburgh EH2 4LH

4th October 2018

Dear Mr Meddings,

On behalf of our All-Party Parliamentary Group, I would like to register my disappointment in TSB's payment of bonus to Paul Pester following his decision to step down as Chief Executive of TSB. Mr Pester was responsible for an IT failure that severely affected millions of customers and cost the bank an estimated £176m. The disastrous IT migration has weakened the confidence and trust of the bank's customers. My colleague, and chair of the Treasury Select Committee, the Rt Hon Nicky Morgan MP has said that Mr Pester has "set the tone for TSB's complacent and misleading public communications".

Mr Pester will receive over £1.68m in severance payments and outstanding bonuses. I am given to understand that TSB were contractually obliged to provide Mr Pester with these payments, is this the case?

If so, why it is the case that TSB are creating contracts for their executives that reward failure and create few incentives for executives to adequately protect their customers?

This is particularly a concern as TSB will be appointing a new CEO, and we would like assurances that TSB will ensure that they endeavour to take a lead in the industry and publicly confirm that such arrangements for bonuses no longer exist?

We are also concerned that the independent review of the IT failure that TSB have commissioned is following a restrictive term of reference and "will not include any assessment as to breaches of policies or regulatory requirements by individuals which shall be dealt with, if appropriate, under internal policies or procedures".

I would like to understand why the terms of reference been made so narrow as to ensure that the actions of the TSB Board and Executive Directors will not be considered as part of the review?

Were TSB's regulatory requirements breached and if so, who were responsible for those breaches?

I look forward to your response.

Kind regards,

A handwritten signature in black ink that reads "Kevin Hollinrake".

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