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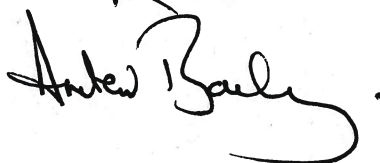
8 October 2018

Dear Kevin

Thank you for sending me a copy of your letter to Adrian White on 2 October 2018.

We too have been in touch with senior executives and non-executives at Lloyds, as well as the individuals with direct experience of the compensation scheme, and continue to be in regular contact. As you will appreciate, policy and legal considerations mean that I am limited in what I am able to say at this time. What I am able to say is that we are taking the information we have received seriously and are continuing with our inquiries.

On a more general point, I recognise that there will always be a degree of suspicion about compensation schemes that are operated by firms and, where they relate to activity outside the regulatory perimeter, not shaped or specified by the FCA. While the Senior Managers and Certification Scheme provides a mechanism for the FCA to have some locus, and there is a senior manager at Lloyds with explicit responsibility for the compensation scheme, even this does not eradicate the concern that firms may be motivated to act primarily in the interests of their bottom line rather than the interests of their clients. As you know we consulted earlier this year on how we can improve the access of SMEs to dispute resolution services which are independent of the financial firm of which they are a customer and will shortly set out our proposals.

Yours Sincerely


Andrew Bailey