

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Mark Carney
Governor of The Bank of England
Threadneedle Street
London
EC2R 8AH

26th March 2019

Dear Mr. Carney,

The handling of the HBOS Reading fraud and the evidence of subsequent attempts to cover-up the extent of the fraud raises serious questions around the corporate governance and conduct of Lloyds Banking Group's executive directors, including its Chief Executive, António Horta-Osório.

Crucially, it seems clear that the executive directors of Lloyds withheld the Project Lord Turnbull report, authored by Sally Masterton a senior risk officer in the Group, from the non-executive directors until March 2017. The report, published in September 2013, made substantiated claims that "*proper disclosure of the Reading Incident (the fraud) in July 2007 would have rewritten history for HBOS, Lloyds TSB and the Government*". Despite this seriousness of the allegations, and the fact that the fraud had been the subject of a parliamentary debate, a BBC documentary and nine arrests had been made at the time, the executive directors decided to withhold the report from the board.

The PRA's supervisory approach makes it clear that the PRA expects the boards and management of regulated forms to run the business prudently, consistent with the firm's own safety and soundness. The Bank of England's Supervisory Statement SS5/16 entitled "Corporate governance: Board responsibilities" makes it clear that there are expectations of managers to be transparent with their boards. Specifically, section 9.2 states that:

"The PRA expects management to be open and transparent with the board to ensure the board is adequately apprised of all significant matters about which the board should be made aware. Management should not simply confine such information to matters formally reserved for the board or falling outside the board's stated risk appetite, but should raise issues where, for example, the size, nature or impact suggest that disclosure or escalation is appropriate. Non-executives should have unrestricted access to a firm's employees and information as needed to enable them to carry out their duties."

In addition, despite being made aware of the fraud as early as 2011 and being given the report in 2013, Mr Horta-Osório did not commission a thorough investigation of the allegations made by Ms Masterton, but instead first suspended her, constructively dismissed her, attempted to discrediting her to the regulator and knowingly prevented her from assisting the police.

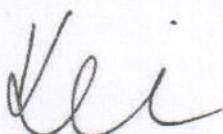
Lloyds are now being allowed to use the Dobbs Review as a 'fig leaf' for the Group to deflect any questions being raised and with any valid enquiry we have made about these matters persistently being left unanswered. They have used this tactic to deflect questions from myself and the Thames Valley Police and Crime Commissioner, Mr Anthony Stansfeld. I asked Mr Horta-Osório to answer the following questions:

- What action did you take to establish the accuracy of the fraud allegations contained within the report?
- What investigations did you carry out into the fraud cover-up and other allegations contained in the Executive Summary of the report?
- Why did LBG deny that they have requested that Sally Masterton document her concerns?
- Why did LBG state to the FCA that Sally's actions were not sanctioned by the bank and that there was no substance to her report?
- Why did LBG set out to destroy Sally Masterton's reputation and credibility?
- Why did LBG ignore the requests of Thames Valley Police officers who were investigating the HBOS fraud to have continued access to Sally Masterton and instead suspend her from her duties?
- Is it still LBG's position that no evidence exists to substantiate the report?

To this date, he has refused to answer or even acknowledge these questions. Given that the Bank of England are responsible for the prudential regulation and supervision under the Financial Services and Markets Act 2000, could you confirm:

1. What actions you are taking to make sure that appropriate corporate governance rules have been followed?
2. Are you content to allow an investigation of such significance, and one which you hold ultimate responsibility for, to be delegated to a Lloyds appointee rather than by the relevant regulator?

Yours sincerely,



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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Lord Blackwell
Chairman
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Lord Blackwell,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

As you know, as a non-executive director you have a responsibility to hold the management to account. The UK Corporate Governance Code states that:

"The chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information". It also specifies that non-executive directors should "provide constructive challenge, strategic guidance, offer specialist advice and hold management to account...Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives."

It is our belief that Lloyds' handling of the HBOS Reading affair, cover-up allegations, mistreatment of the whistleblower and the subsequent treatment of the victims raises very serious corporate governance issues and has fundamentally undermined the credibility of the institution.

We are grateful for the work and commitment of many thousands of employees that work in the Group and want to see Lloyds thrive and to contribute positively to the economic progress of our nation. However, the executive directors must be held to account for the way in which the fraud and the cover-up of the fraud have been dealt with and there must now be a truly independent investigation into the conduct of Lloyds' senior managers by the FCA and the PRA. The victims of the fraud must also be properly compensated via a truly independent redress mechanism if it is found that the Griggs Review is "flawed", as was the conclusion of the recent review by Jonathan Laidlaw QC.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'K Hollinrake'.

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Anita Frew
Deputy Chairman
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Ms. Frew,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Alan Dickinson
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Mr. Dickinson,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

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Yours sincerely,

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Simon Henry
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Mr. Henry,

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Yours sincerely,

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Lord Lupton CBE
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Lord Lupton,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

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Yours sincerely,

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Amanda Mackenzie OBE
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Ms. Mackenzie,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Nick Prettejohn
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Mr. Prettejohn

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Stuart Sinclair
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Mr. Sinclair,

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Sarah Weller CBE
Independent Director
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

9th April 2019

Dear Ms. Weller,

As a non-executive director of Lloyds Banking Group you should be aware of the following correspondence that we have sent to the Governor of the Bank of England, Mark Carney, regarding the conduct of Lloyds' senior managers, including the Chief Executive, António Horta-Osório. We believe that as Chief Executive Officer, Mr Horta-Osório should have informed you of the HBOS Reading fraud at a much earlier stage. Mr Horta-Osório was in possession of the 'Project Lord Turnbull' report in 2013, yet we understand did not make it available to you until March 2017.

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