

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

Gavin Lewis
Head of UK Institutional Business
Vanguard Group Inc
25 Walbrook
London EC4N 8AF

9th April 2019

Dear Mr. Lewis,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

It is our belief that the handling of the HBOS Reading affair, cover-up allegations, mistreatment of the whistleblower and the subsequent treatment of the victims 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.

There are, however, deep concerns over the way in which the fraud and alleged cover-up 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 by a truly independent redress mechanism if it is found that the Griggs Review is "flawed", as was the conclusion of Jonathan Laidlaw QC's opinion on the Review.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kee'.

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

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Mark Zinkula
Chief Executive Officer
Legal & General Investment Management
1 Coleman Street
London EC2R 5AA

9th April 2019

Dear Mr. Zinkula,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Vineeta D. Raketich
Managing Director, Global Operations & Client Relations
Harris Associates
111 South Wacker Drive, Suite 4600
Chicago, Illinois 60606
USA

9th April 2019

Dear Ms. Raketich,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Carine Smith Ihenacho
Chief Corporate Governance Officer
Norges Bank Investment Management
Queensberry House, 3 Old Burlington Street
London W1S 3AE

9th April 2019

Dea Ms. Smith-Ihenacho,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Cc Wilhelm Mohn, Head of Sustainability Initiatives, Norges Bank Investment Management

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Rachel Lord
Head of Europe, Middle East and Africa
BlackRock Investment Management Ltd
Drapers Gardens, 12 Throgmorton Avenue
London EC2N 2DL

9th April 2019

Dear Ms. Lord,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

John Foley
Chief Executive
M&G Investment Management Ltd
Laurence Pountney Hill
London EC4R 0HH

9th April 2019

Dear Mr. Foley,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Dana Emery
Chief Executive
Dodge & Cox Worldwide Investments
6 Duke Street, St James's
London SW1Y 6BN

9th April 2019

Dear Ms. Emery

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

James Found
Head of Investor Relations
Hargreaves Lansdown Stockbrokers Ltd
1 College Square South, Anchor Road
Bristol BS1 5HL

9th April 2019

Dear Mr. Found,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Russell Mackie
Global Head of Client Services
Mondrian Investment Partners Limited
Fifth Floor, 10 Gresham Street
London EC2V 7JD

9th April 2019

Dear Mr. Mackie,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Peter Harrison
Group Chief Executive
Schroder Investment Management Ltd
1 London Wall Place, London Wall
London EC2Y 5AU

9th April 2019

Dear Mr. Harrison,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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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

Laurence Douglas Fink
CEO & Chairman
BlackRock Fund Advisors
400 Howard Street
San Francisco, CA 94105
USA

9th April 2019

Dear Mr Fink,

As an institutional shareholder with a significant interest in Lloyds Banking Group, we believe that 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.

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