

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Andrew Bailey
Chief Executive
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

26th June 2019

Dear Andrew,

I wish to make a formal complaint about the FCA's handling of the treatment of whistleblower Sally Masterton, the former senior risk manager at Lloyds Banking Group (LBG) who wrote a report on the HBOS Reading fraud entitled the Project Lord Turnbull report.

As you confirmed in oral evidence to the Treasury Select Committee on 25th June 2019, you personally intervened in the case in 2018 due to the "unacceptable treatment", as you put it, she experienced at the hands of LBG. I do not understand how you can establish that her treatment was unacceptable and then not simply proceed immediately to sanction those responsible.

I would like the consideration of the complaint to also determine whether appropriate processes were implemented in this case. According to your own whistleblowing protocols you will "confirm in writing that we have received your information (normally within five days) and that we have passed it onto one of our teams for further assessment". Despite several requests, in emails of 3rd June and 23rd May, you have not confirmed whether this case has been properly assessed by your teams or detailed the outcomes of that assessment and that this was undertaken in the context of the Senior Managers Regime.

I hope this matter can be resolved to our mutual satisfaction but will refer this to Complaints Commissioner, Antony Townsend, if we cannot.

Kind regards

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

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

The treatment of Sally Masterton by Lloyds Banking Group

The Project Lord Turnbull report, authored by Sally Masterton and published in September 2013 but withheld from the non-executive directors until March 2017, made substantiated claims that Lloyds Banking Group sought to cover up the HBOS Reading fraud and that "*proper disclosure of the Reading Incident (the fraud) in July 2007 would have rewritten history for HBoS, Lloyds TSB and the Government*".

There is clear evidence that Lloyds and their solicitors, Herbert Smith Freehills LLP, sought to deliberately discredit Mrs Masterton to the authorities, including in a letter to the FCA of 8th May 2014 in which Andrew Whittaker, Group General Counsel at Lloyds, clearly casts doubt on "...*the credibility of Mrs Masterton*". Similarly, Herbert Smith Freehills LLP wrote to the CPS on 30th July 2014 stating that "*the draft report was not commissioned by LBG*". Lloyds then constructively dismissed Mrs Masterton.

In a November 2018 press release, Lloyds finally apologised for their five years of mistreatment of Sally Masterton and paid an undisclosed amount in compensation. They admitted that Mrs Masterton "*acted with integrity and in good faith at all times in assisting the Thames Valley Police investigation and in raising her concerns with the Group*". They also confirm that Mrs Masterton's "*concerns were documented following a request from the Group that she set her concerns in writing*".

Mrs Masterton has made a protected disclosure to me as a prescribed person under the Protected Disclosure (Prescribed Persons) Order 2014. This is the second time Mrs Masterton has had to resort to using this process after previous requests that the FCA formally investigate her treatment by Lloyds have gone unheeded.

I have also previously written to the FCA and to Mark Carney at the Bank of England asking them to investigate the treatment of Mrs Masterton by Lloyds and specifically its CEO, António Horta-Osório, under the Senior Managers & Certification Regime without success. **I enclose extensive correspondence between Mrs Masterton, the FCA and the PRA in addition to my own letters of request for action.** The FCA's response to me was similar to their response to Sally Masterton; they simply refer to the matter in the context of the Dobbs Review.

The Dobbs Review will not report until 2020. It is entirely unacceptable that an investigation is delayed by the regulator into the potential serious mistreatment of a whistleblower, particularly one who had highlighted the deliberate non-disclosure of the HBOS Reading fraud and the non-disclosure of up to £40bn of stressed cases.

It is worth noting that the FCA has, at best, a chequered history in its handling of whistleblowers including being criticised by the Complaints Commissioner for its treatment of an RBS whistleblower in 2013 and by whistleblower organisations and other commentators for its timid handling of whistleblower mistreatment by the CEO of Barclays in 2018.

Whistleblowers are a key part of our collective efforts to tackle financial fraud. It is, therefore, disappointing that the APPG is also liaising with a number of other whistleblowers who have sought assistance from the FCA but believe their complaints to be poorly handled. I understand that FCA statistics show a steady drop in whistleblower reports to the regulator.