

Mr Kevin Hollinrake MP  
House of Commons  
Sent by email

20 January 2020

Our Ref: SA201224A

Dear Kevin

Thank you for your email of 23 December 2020 and our meeting prior to that on 18 December. As you will know, I have taken on the role of Executive Director for the Consumers and Competition division and consequently Nikhil has asked me to respond.

In your letter, you submit a formal complaint to the FCA about the Lloyds Banking Group (LBG) under the provisions of the Senior Managers and Certification Regime (SMCR). This is on the basis of LBG's treatment of Ms. Sally Masterton and its treatment of the victims of the HBOS Reading fraud following the review conducted by Sir Ross Cranston.

As you will know, the SMCR came from a recommendation from the Parliamentary Commission for Banking Standards. The objective was to introduce a new accountability framework focused on senior management. The SMCR, which has been rolled out to a large proportion of the firms that fall within our remit, has become a mainstay of how we supervise firms and individuals. We therefore carefully consider information and intelligence we receive about a senior manager(s) through a range of processes in order to assess whether it calls into question their fitness and propriety and, as a result, what action should be taken. I am therefore grateful to you for the information you have provided. As you know, we are subject to a statutory duty of confidentiality, the breach of which is a criminal offence. This means we are unlikely to be able to comment on how we act on the information unless it results in a public enforcement outcome, such as a financial penalty.

#### Ms Masterton

Turning to Ms. Masterton, I attach, for ease of reference, our response to your letter of 26 June 2019. I am afraid that I cannot comment on Ms Masterton's case, other than to say that we have taken, and continue to take, her allegations extremely seriously. Her allegations relate to events that occurred before the SMCR came into force, which we cannot apply retrospectively, and we have already investigated Bank of Scotland's failure to be open and co-operative with the FSA (the predecessor regulator to the FCA) in relation to suspicions of fraud at its Reading branch, fining the bank £45.5 million in 2019. As Andrew Bailey has discussed with the Treasury

Select Committee<sup>1</sup>, Dame Linda Dobbs has been making independent inquiries into the same matters.

### HBOS Reading

You also outline concerns over the way that LBG has handled customers seeking inclusion in the Re-Review, further ex-gratia payments, a review of previous Distress and Inconvenience payments, hardship support and LBG's use of waivers.

Let me start by stating that, while evaluating fair and reasonable offers of compensation for victims of the HBOS Reading fraud is a complex and nuanced exercise, it has still taken too long for the victims of the HBOS Reading fraud to receive their final outcomes from this process. As you know, Sir Ross' review was instigated by the FCA after listening to feedback from both HBOS Reading customers and wider stakeholders. We did this because it was vitally important that customers had confidence they have been treated fairly and their claims assessed thoroughly.

When dealing with those affected by the fraud, particularly those who are vulnerable, it is right that LBG assesses requests for further support in a sensitive manner which reflects the circumstances of the consumer involved, and which considers the facts of the case. We therefore strongly encourage the APPG, or those individuals affected, to send us the specific details pertaining to cases where an individual has not been treated fairly and in line with the recommendations made by Sir Ross.

Ultimately, the issue of financial settlement is for the Foskett panel to determine, not the FCA. The intention of Sir Ross was for the Re-Review to provide closure for the victims of the HBOS Reading fraud and we believe that the use of waivers is in line with his intentions in this regard. As part of this, clear and open correspondence is crucial to allow customers to make informed decisions. Our priority is to ensure that the Re-Review Panel has all the necessary resources to complete its work as quickly and as thoroughly as possible, and that Sir Ross' recommendations are implemented as swiftly as possible. We have had many discussions with LBG on this and will continue to do so.

Yours sincerely



**Sheldon Mills**  
**Consumers and Competition**

---

<sup>1</sup> <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/the-work-of-the-financial-conduct-authority/oral/103313.html>