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Clerk of the Treasury Committee
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Lloyds Banking Group plc
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10 December 2019

Dear Ms McBride,

I am writing to draw the Treasury Committee's attention to a report published today by Sir Ross Cranston, and specifically to a recommendation in it requiring Lloyds Banking Group to communicate certain additional information to the Committee.

By way of background you will recall that in December 2018 John Glen, Economic Secretary to the Treasury, announced in the Commons that Lloyds Banking Group would commission an independent quality assurance review of the HBOS Reading customer compensation scheme overseen by Professor Russel Griggs OBE.

Prof Griggs was appointed in 2017 after consultation with the FCA and tasked with providing fair, reasonable and swift compensation to the victims of the criminality at HBOS Reading more than a decade ago. More than £102m has been paid in compensation and ex-gratia payments to victims of HBOS Reading. There was a total of 71 business customers and 191 directors in the review, of which 187 accepted the offers made through the review.

Following Mr Glen's announcement we worked with the FCA and other stakeholders to develop a proposal that would command public confidence and meet the Government's expectations. In May we announced the appointment of Sir Ross Cranston, a former High Court judge, to lead an independent quality assurance review, and provided him with the support he needed to carry out that work.

Sir Ross has concluded his review and it is published today. We deeply regret that he finds that 'the methodology and process of the Customer Review did not achieve the purpose of delivering fair and reasonable offers of compensation' for the customers who took part. He makes a number of recommendations which we accept unreservedly and are addressing as a matter of urgency. I attach a copy of the full report for reference.

Recommendation 4.2 of Sir Ross's final report concerns the Treasury Committee. It states:

"Recommendation 4.2: The Bank must write to the Treasury Select Committee providing an accurate picture of the use of settlement templates in the course of the Customer Review."

His recommendation is based on the findings in his report that Lloyds Banking Group unintentionally and mistakenly gave the Committee an inaccurate impression of the process for settlement agreements used by the Griggs review.

The issue identified by Sir Ross stems from a letter Prof Griggs sent on 28 June 2018 to the Rt Hon Nicky Morgan MP, in her capacity as the then Chair of the Treasury Committee. He was replying to a letter from her of 26 June which requested information about his review, including a sample copy of the settlement agreement used. As described by Sir Ross in Chapter 14 of his report, Prof Griggs included a sample settlement agreement in his reply.

Sir Ross finds that Prof Griggs' letter led to 'confusion and bad feeling' among customers because the settlement template used evolved over the two and a half year period of the Griggs Review and some customers felt they had been offered a different agreement to the one he disclosed to the Committee. While Sir Ross accepts that it was fair and reasonable for the Bank to seek to use settlement agreements to achieve a full and final settlement with customers, he says greater transparency about the four settlement agreement templates eventually used by the Bank could have avoided criticism.

He concludes: "In not drawing attention to them in Professor Griggs' letter to the Rt Hon Nicky Morgan MP, Professor Griggs and the Bank unintentionally did not provide the Treasury Select Committee with a full picture of the restrictions in the settlement agreements."

He also says: "The Select Committee template was represented in Professor Griggs' letter to Parliament as 'a sample', and this gave the wrong impression that the template was representative of the settlement terms upon which the Bank had offered redress to customers in the Customer Review. Professor Griggs and the Bank have explained to me how this mistake occurred."

We apologise unreservedly to the Committee for this mistake on our part. While it was unintentional, we accept that it created confusion about the Griggs process among those who were entitled to clarity. In order to correct this omission - and at Sir Ross's recommendation - I attach copies of the four settlement agreement templates that evolved over the course of the two and half years of the Griggs review.

We recognise that Parliament is dissolved and that therefore there is currently no Treasury Committee, pending the appointment of a new one after the General Election. We wanted however to provide this information now in order to comply at the earliest opportunity with Sir Ross's recommendations.

We are at the Committee's disposal for any further information it may require.

Yours sincerely,
Benedict Brogan

BENEDICT BROGAN
Group Public Affairs Director