

 <p>LLOYDS BANKING GROUP</p>	<p style="text-align: center;">LLOYDS BANKING GROUP CUSTOMER POLICY</p> <p style="text-align: center;">SUMMARY FOR THIRD PARTY SUPPLIERS</p>
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1.0 RATIONALE

Everything we do has an impact on our customers and the outcomes they receive. This is true whether you interact directly with customers in one of our contact centres, make decisions about how and where to invest our resources, or decide how colleagues should be rewarded for their work. We must understand the needs of all of our customers and potential customers, and how our work and decisions impact the Outcomes they receive. Delivering good customer Outcomes will enable us to Grow With Purpose and Help Britain Prosper, as well as ensuring we meet our regulatory obligations.

This Policy has been designed to support compliance with the prevailing legal and regulatory requirements included in the following legislation, regulations and / or guidelines:

- Financial Conduct Authority (FCA) Consumer Duty Principle 12, A firm must act to deliver good outcomes for retail customers.
- FCA Threshold Conditions.
- FCA Principles for Business (PRIN): Principle 6: A firm must pay due regard to the interests of its customers and treat them fairly.
- FCA Principles for Business (PRIN): Principle 7: A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
- FCA Guidance for the Fair Treatment of Vulnerable Customers
- Equality Act 2010
- FCA Dispute Resolution Handbook (DISP)

1.1 SCOPE

This Policy is mandatory and applies to all Suppliers, including Joint Ventures, that can impact customer Outcomes.

2.0 REQUIREMENTS

MAKING DECISIONS WHICH IMPACT CUSTOMER OUTCOMES

Every Supplier, no matter what their role, must focus on the Outcome they want to deliver for customers. This means that everyone must consider the impact their actions could have on customers, ensure they have the best Evidence possible to support their decisions and actions, and then monitor whether they have achieved the desired Outcome in a way that minimises risk and Foreseeable Harms, and enables customers to pursue their financial objectives.

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Taking this approach will drive not just good Outcomes today, but will enable Lloyds Banking Group to Grow with Purpose by continuously improving the Outcomes our customers receive.

CUSTOMER INCLUSION, VULNERABILITY AND FINANCIAL DIFFICULTY

Suppliers must provide all of our customers with good Outcomes. Suppliers must therefore ensure that customers with additional needs or characteristics of vulnerability, including those customers who are in (or at risk of) financial difficulty, also experience good Outcomes and that they avoid foreseeable Harms.

Suppliers must identify where the activities that they are responsible for could impact customers experiencing vulnerability. Suppliers must ensure that customers with characteristics of vulnerability obtain Outcomes that are the same as customers without those characteristics. This must include considering foreseeable Harms and how these could differ for customers with different needs; and what reasonable steps can be taken to mitigate or remove the risk of Harm for those customers. Where appropriate, utilising inclusive design principles can help to ensure that Suppliers can meet everyone's needs and provide all customers with good Outcomes.

Suppliers must ensure at all times that the areas that they are responsible for utilise Testing, MI and Tolerances to monitor Harms and Outcomes for customers who have characteristics of vulnerability. The MI and Testing must enable them to show whether the Outcomes received by customers experiencing vulnerability and/or financial difficulty is different to the Outcomes experienced by other customer groups without those characteristics, and/or whether any Harms are materialising.

Where Testing or monitoring shows that Outcomes for customers experiencing vulnerability are (or have been) worse than Outcomes received by other customers, the Supplier must notify the Supplier Manager within Group and explain the reasonable steps they intend to take to rectify those Outcomes.

TESTING

Suppliers must test their processes to ensure that they deliver Good Outcomes. Suppliers must set a clear and proportionate approach to testing Outcomes, including the aspects to be tested and the frequency with which the testing will be undertaken, and seek approval of this from Group. Suppliers must ensure that testing takes into account regulatory guidance and expectations.

Suppliers must ensure that the testing design and approach are approved by a sufficiently senior individual or committee, with input from Group where appropriate. This must also include approving when the design and approach will be reviewed.

Suppliers must put controls in place to ensure that testing is undertaken by colleagues who have the required skills, knowledge, and experience (sometimes called training and competence), and who are sufficiently independent.

COMPLAINTS AND REDRESS

While we aim to provide our customers with products and services that lead to Good Outcomes, it is unavoidable that some customers will feel dissatisfied. This dissatisfaction is likely to be expressed to us in the form of a complaint. A complaint is defined as:

- Any oral or written expression of dissatisfaction, whether justified or not;
- From or on behalf of a person or business;
- About the provision of, or failure to provide, a financial service; and

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- Which alleges any actual or potential financial loss, distress, or inconvenience.

Suppliers must ensure that appropriate processes are in place to appropriately investigate complaints promptly, diligently, and impartially. In addition, Suppliers must ensure they are aware of how DISP applies and factor this into the processes that they are responsible for.

Suppliers must ensure that their processes enable their colleagues to take decisions about complaints and redress which provide customers with good Outcomes, including customers with additional needs or characteristics of vulnerability. This includes ensuring that they communicate with customers appropriately, and ensuring that customers understand the reason for the decision, the basis of any redress, and any implications (e.g., tax implications).

Suppliers must ensure through Testing that the complaints handling processes and procedures deliver good customer Outcomes, and that mitigating and/or corrective action is taken where required, and share the outputs of those tests with the Supplier Manager within Group.

Where complaints are eligible to be referred to the Financial Ombudsman Service (FOS), Suppliers must ensure that their processes comply with all FOS guidance, including in relation to communication with FOS and reporting of complaints. Suppliers must also ensure that FOS decisions are appropriately communicated to their Supplier Manager within Group, to enable appropriate learnings to be shared where these could improve customer Outcomes.

All Suppliers must ensure that there are appropriate processes in place to conduct Root Cause Analysis (RCA). RCA enables both the Supplier and Lloyds Banking Group to understand the reasons for the complaint, and to take appropriate and reasonable steps to prevent it happening again. RCA must include processes for maintaining and monitoring MI to learn from customer feedback; make sure your complaints handling processes are effective; and to identify Harm before it becomes widespread.

PUTTING THINGS RIGHT (RECTIFICATION)

Suppliers must take action to put things right where an Event has caused systemic harm to customers, reporting this immediately to their Supplier Manager. If an Event is not deemed to be systemic but still involves Harm, Suppliers must ensure that they take appropriate action, raising the Event immediately with their Supplier Manager.

RCA

Suppliers must use RCA to ensure customer Harm is stopped, ideally prior to completion of any customer rectification. Suppliers must share the outputs of RCA with their Supplier Managers, to enable them to take action to prevent or detect similar Harms.

All Suppliers must reassess their analysis of Foreseeable Harm and the ongoing effectiveness of their processes on the basis of the root cause. Suppliers must be able to show the outcome of the assessment, and any Action Plan to address additional controls or control improvements. Suppliers must maintain a record to show the outcome for all in-scope customers, including those who were descoped, excluded, and any customers who could not be traced and/or paid.

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3.0 TRAINING

Suppliers must ensure that there are appropriate controls in place to enable all their colleagues involved at any stage of the customer lifecycle to have appropriate capability to undertake their roles.

4.0 NON-COMPLIANCE

Any material differences between the requirements set out above and the Supplier's own controls should be raised by the Supplier with Lloyds Banking Group's Supplier Manager at the earliest opportunity. The Supplier Manager will then discuss the non-compliance with the Accountable Executive for the relationship and local Risk team to agree way forward.

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Glossary

Products: Solutions or services that provide financial and / or non-financial offerings to customers to meet an identified Need, irrespective of whether the product or service is regulated or not and which are manufactured, distributed, or serviced by Suppliers.

Customer Outcome: the desired results of Supplier actions in relation to how they provide a product or service to a customer. The outcome Suppliers want to deliver must be defined at the outset and considered throughout the product lifecycle. Customer Outcomes are the outputs to Supplier customer interactions, and the quality of these interactions rely on the proper functioning of contact centres, IT decisions and training.

Foreseeable Harm: Foreseeable Harm describes risks, financial loss, damage, and/or injury to customers that are due to Supplier actions, that could have been prevented and that will prevent Good Outcomes.

Testing: Testing is how Suppliers determine whether they deliver Good Outcomes. Testing could focus on whether the actions taken in managing products and servicing our customers are leading to Good Outcomes, whether specific groups of customers get Good Outcomes from customer service activities, or whether individuals receive the right level of support across their interactions with Suppliers.

Monitoring: the use of data and MI to analyse and draw conclusions about the operation of a product, service, or process.

MI: "management information", data or indicators which tell you how something (e.g., a service) is performing.

Vulnerability: Vulnerability can be viewed as a spectrum of risk. All customers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability. Business Units are expected to continue to build upon and refine their assessments of vulnerability in line with latest Embed Framework.

A customer with characteristics of vulnerability is someone who, due to their personal circumstances, is especially susceptible to Harm, particularly when a firm is not acting with appropriate levels of care. However, vulnerability can take many forms, both permanent and temporary. Suppliers' response will depend on the nature of someone's vulnerability. For example, a response to someone with a permanent health condition that requires a reasonable adjustment to be made will be very different from the support offered to someone who has suffered a family bereavement.

Tolerances: the level at which Suppliers run their business such that customers receive Good Outcomes and there is limited need for change. Where Suppliers determine that metrics or customer Outcomes are out of Tolerance then they must take action to bring these back to within set Tolerance levels. Tolerance levels must be updated with experience and risk appetite.

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Reasonable steps: the steps that a reasonable person would expect Suppliers to take to avoid regulatory breach or allow Harm, balancing the needs of stakeholders, customers, and shareholders.

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4.0	1 st May 2023