

THE MOST SERIOUS FINANCIAL SCANDAL OF MODERN TIMES

9. THE HBoS READING FRAUD – KEY IN SO MANY WAYS

The Halifax Bank of Scotland (HBoS) fraud has been the sole banking fraud, which the Government has allowed to be prosecuted and this only took place due to the determination of one regional Police authority, Thames Valley.

The treatment of the Reading fraud has been the exception to the general rule, which has been not to investigate banking fraud and to cover it up. The authorities tried hard to prevent it coming to trial and Lloyds, which acquired HBoS in 2009, later lied about when it first knew about the fraud, presumably on the advice of its lawyers, to limit the bank's liabilities.¹ The extent of the fraud was also downplayed as £245mn, when on most independent estimates, it is likely to have been at least £1bn. Again, the intention was to limit the bank's obligations to compensation.

Victims of the fraud, which destroyed their businesses and lives, have been fighting for proper treatment for more than a decade. However, three supposedly independent reviews, which have been commissioned and controlled by Lloyds Bank, the FCA and Government have ensured that the justice they have sought has deliberately been denied to them.

If the fraud itself was not bad enough, the subsequent cover up and attempted denial of responsibility by Lloyds Bank has been altogether worse. Lloyds' response to the Reading fraud has set a precedent for its wider misconduct and criminality.

Description of the fraud

- The HBoS Reading fraud centered on the Bank of Scotland's South-East branch and a fraudulent manager, Lynden Scourfield, who managed a £1 bn loan book. He forced troubled businesses to use the services of a supposed turnaround specialist, David Mills and his company, Quayside Corporate Services. It took place between 2002 and 2007.²
- A decade later, the fraud was finally brought to trial and six of those immediately responsible were jailed for a total of 47 years. However, the trial encompassed only a fraction of the much greater criminality involved. The prosecution of the trial was simplified, so that the jury could understand it and a successful outcome could be obtained.
- The wrongdoing was intentionally complicated by Mills, who used a host of shell companies for money laundering purposes and wider aspects of the fraud including how high up the scandal went within HBoS, the fraudulent circumstances surrounding a certain company,

¹ Press release 7 – Section on Lloyds' right issue (2009)

² <https://www.ianfraser.org/re-examining-hbos/>

Corporate Jet Services and the role played by Robin Southwell, a business ambassador appointed by David Cameron have never been investigated.³

Lloyds – no penalty for repeatedly lying

- The Police & Crime Commissioner for Thames Valley, Mr Anthony Stansfeld has stated that “It must have been known quite clearly to the directors of the bank as far back as February 2008 that a massive fraud had taken place [at HBOS Reading]” and the Lloyds’ Chairman, Sir Victor Blank was informed by letter on 13th October 2008. However, the bank has consistently lied about when it had first known about the fraud and later even claimed to have been a victim of it.
- The FCA knew that Lloyds was lying but failed to disclose the truth about these events.
- The lies and hypocrisy have been maintained by the present Chairman, Lord Blackwell, who stated at Lloyds’ 2019 AGM: “Whenever there is any evidence of criminality in this bank, we work persistently with any police force to expose that and bring the criminals to justice, as we did with the criminality in HBOS a decade ago.”
- Thames Valley Police has instead described how Lloyds led them a “merry dance” over its investigation, Operation Hornet, by claiming legal privilege over documents which were not entitled to be protected, supplying the police with what it termed vast amounts of irrelevant information and briefing witnesses, prior to police interviews, on what they could say without breaching guidelines set by the bank and its lawyers.⁴
- Thames Valley’s Police & Crime Commissioner has also stated that Juan Columbás and Kate Cheetham, Lloyds’ legal counsel lied to him eight times in a single meeting, with the two claiming that they had never read the whistleblower’s Turnbull report and Cheetham maintaining that she was an HBOS employee.
- Since 2017, the shameful stance has been maintained by Lloyds Bank in respect of three supposedly independent reviews, which were ostensibly commissioned to remedy the deliberate short-comings in the treatment of victims of the Reading fraud. The truth is that Lloyds, the FCA and Government have never intended to correct these wrongs.

Lying to the Police and the deliberate obstruction of justice are criminal offences but since Lloyds Bank is treated as above the law, the laws which every citizen of the UK is required to observe, do not apply to the bank.

³ <https://www.ft.com/content/5dfb349e-4b81-11e7-a3f4-c742b9791d43>

⁴ Lloyds Banking Group – the greatest financial scandal of modern times (June 2019), slide 28.