

**THE MOST SERIOUS FINANCIAL SCANDAL OF MODERN TIMES****21. LLOYDS' MISTREATMENT OF WHISTLEBLOWERS**

The number of whistleblowers to have come out of Lloyds has been suppressed by the climate of fear, which has prevailed in the bank, surrounding such disclosures.

While Lloyds / HBoS has serially mistreated whistleblowers, none were contacted with regard to this release. However, their cases are sufficiently notorious that we have stated the following to the best of our knowledge.

**Paul Moore <sup>1</sup>**

- Paul Moore was the original HBoS whistleblower. A barrister by training, he joined the leading accountancy firm, KPMG in 1995 before moving to HBoS in 2002. A year later, he was appointed their Head of Group Regulatory Risk.
- While conducting a review of the bank's sales culture and selling practices in 2004, he correctly concluded that its aggressive sales practices were severely out of line with its systems and risk controls. When he described this in considerable detail to HBoS' Chief Executive, Sir James Crosby, he was sacked.
- His concerns were passed to the FSA, which instructed KPMG to investigate. The leading accounting firm, however, concluded that HBoS had appropriate risk controls in place. In January 2009 when the bank was taken over by Lloyds, HBoS was found to be carrying £40 bn of losses.
- Interestingly, Moore never encountered the Bank of Scotland Reading fraud, which was later the subject of Sally Masterton's Project Lord Turnbull report.
- Paul Moore detailed his experiences at the hands of HBoS in his book "Crash, Bank, Wallop", New Wilberforce Media (November 2017) but sadly, in recent weeks, he has passed away.

**Sally Masterton <sup>2</sup>**

- Sally Masterton, whose title at Lloyds was senior manager, Commercial Banking Risk was commissioned by the bank's head of audit, Sue Harris to write a report highlighting her concerns. <sup>3</sup> When she submitted the report in September 2013, she was put on enforced

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<sup>1</sup> <https://www.ft.com/content/566c9f76-92da-11e5-bd82-c1fb87bef7af>

<sup>2</sup> <https://www.ft.com/content/2fb12910-264d-11e9-b329-c7e6ceb5ffdf>

<sup>3</sup> <http://www.appgbanking.org.uk/wp-content/uploads/2018/06/draft-Project-Lord-Turnbull-Report-part-1.pdf> ; <http://www.appgbanking.org.uk/wp-content/uploads/2018/06/draft-Project-Lord-Turnbull-Report-part-2.pdf>

leave and a year later left the bank. Lloyds used all its legal powers against her and subjected her in April 2015 to the first of two NDAs.

- Her whistleblowing contact at the FCA cited s.348 of FSMA 2000, which effectively preventing her from whistleblowing because any disclosure would not be protected. The FCA should have been proactively engaging with her under s.165 of FSMA but deliberately did not do so.
- In January 2014, Ms. Masterton's request that her report should be forwarded to the Chairman, Chief Executive and Chairman-designate was refused and the report was confined to Andrew Whittaker of the group's legal department and the bank's lawyers. Before joining Lloyds, Whittaker had been the general counsel of the regulator, the Financial Services Authority (FSA) for thirteen years.
- When the bank finally sent a redacted version to the regulator which, by that time, had become the FCA, it falsely claimed that it had sent the complete report.
- In July 2014, when Lloyds Bank's lawyers sent another redacted version to the CPS, they suggested that the report had not been commissioned by Lloyds Bank but had been written by Sally Masterton of her own volition. This additional falsehood was later corrected by the bank.<sup>4</sup>
- In March 2017, the Thames Valley Police & Crime Commissioner sent a copy of the Turnbull report to the Lloyds' Chairman but Lord Blackwell did not share it with non-executive members of his board for a further year.<sup>5</sup>

#### **Paul Carlier<sup>6</sup>**

- The former foreign exchange trader at Lloyds Banking Group was dismissed by Lloyds, when he raised concerns about the unit, including a currency trade for the supermarket, Tesco.
- He stated that he had been dismissed because he had "challenged the business over various practices" and made "protected disclosures."
- Lloyds denied him whistleblower status, despite the fact that he clearly was one. Following conclusion of the proceedings in April 2016, Carlier was quoted as saying "the way in which Lloyds conducted these proceedings throughout has been nothing short of disgraceful".

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<sup>4</sup> cf. Press release 6: Australian banking scandal, footnote 3, lying to regulators.

<sup>5</sup> <https://www.ft.com/content/28ae208a-c0d8-11e8-8d55-54197280d3f7>

<sup>6</sup> <https://www.profit-loss.com/closure-for-carlier-as-lloyds-pull-plug-on-action/>