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12. LLOYDS' BUSINESS SUPPORT TURNED INTO PROFIT CENTRE

Even before the 2008 banking crisis, Lloyds Bank converted its Business Support Units (BSU) into a centrally-administered profit centre. The objective was to derive gains at the expense of troubled business customers, lending to which successive Governments have always permitted to remain unregulated. These profits were then used to improve the bank's own capital position.

Under Andrew Cumming, Lloyds BSU expanded aggressively from a team of 200 in 2009 to staff of 1,200. It was divided into three units, headed by Richard Dakin (property), Ian Pinis and Duncan Parkes (private equity). On 11th October 2008, Duncan Parkes confirmed to FT.com: ***"Business Support is a profit centre and our shareholders expect us to achieve appropriate reward for supporting our customers through their difficulties."***

Lloyds BSU operated under a business plan **approved at group level**, with for example one regional director, Matthew Packham leading a 100-strong team across ten offices.

Profiting at the expense of troubled business customers

- **January 2007** - Lloyds Business Support Unit (BSU) launched its three-year plan with objectives including "the doubling of income" and "moving from defenders to strikers". It aimed "to develop and then nurture an entrepreneurial culture within BSU and thereby establish a mindset more akin to private equity".[1]

- **March 2008** - This was confirmed by Matthew Packham, who presented a review entitled "Business plan for the Expansion of the BSU Investments Team (BSUIT) in support of the Unit's three year plan". Packham had been recruited "with a core remit being to develop and implement a strategy for driving value from the increasing number of investment stakes held in BSU relationships".

- The importance of BSUIT developing strong networks with restructuring advisers would ensure "a wider spreading of the word as to BSU's aspirations and capabilities". To achieve this, "individuals within the Investments team will be required to link with BSU's key account managers in order to participate in a regular calling programme with senior members within the restructuring community (both accountants and lawyers)".

- "In an attempt to develop close relationships with turnaround professionals, sixteen such individuals have thus far been interviewed (by Packham). Going forward, it is expected that

[1] https://www.thisismoney.co.uk/money/news/article-5430431/Bombshell-memo-shows-Lloyds-plan-exploit-firms.html

c.50 such professionals will need to be met ….in order to establish a robust list of preferred operators with whom contact can be maintained on a regular basis".

- The expansion of the BSUIT would mean "**opportunities to take investment instruments will not be missed"** and a bonus structure "would be ring-fenced for distribution between the Investment Team and any BSU Relationship Managers closely involved in the generation of associated value"; "Going forward, there is already a pipeline of deals where equity appears likely"; BSUIT "now has regular contact with LDC" (Lloyds Development Capital, the bank's private equity arm).

- In **June 2008**, a BSUIT presentation referred to "entry pricing – buying the business at low value" and one of the ways in which BSUIT maximises value is through its "network of trusted turnaround partners, who have a track record of delivering value."

- Another FT.com (30th October 2008) article entitled **"Banks turn problem loans into an opportunity"** [2] cited **Duncan Parkes**, head of business support, Lloyds BSU (2005-2013) as saying: "We are better able to offer support that aligns our risk and reward with the company, postponing of the costs until the business is restored to health, taking our reward through equity stakes".

- **Lloyds have disputed** the Packham review, denied that BSU was a profit centre and stated that its objective was to restore customers' troubled companies to financial health. It rejected any comparison to poor behaviour at banks such as RBS. The bank added that the review set out theoretical ideas, which were never fully put into practice. **This is completely untrue**. By the end of 2008, companies had already fallen victim and targets were in place for the following year**. Lloyds were targeting companies for their own gain.** [3]

  Contrary to the bank's earlier denials, Parkes confirmed that Lloyds BSU was indeed a profit centre. Such practices have remained in place to the present day and all serious professional misconduct and criminality undertaken by Lloyds BSU staff and its agents have been comprehensively covered up.

[2] FT.com article by Anousha Sakoui "Banks turn problem loans into an opportunity", 30th October 2008.
[3] https://www.theyworkforyou.com/whall/?id=2013-11-12a.212.1