

THE LLOYDS FRAUDS – SORT THEM OUT OR THE UK SHOULD RESIGN FROM THE TOP TABLE

The turnaround in the bank's impairment charges for bad loans was equivalent to the entire recovery in Lloyds Banking Group's reported profits in the first half. However, all have ignored the disgraceful manner in which these charges have been clearly manipulated. This press release in our ongoing series on the Lloyds Asset Theft Frauds focuses on the blatant way in which this is being done and describes how the frauds are nationally significant.

During his results presentation, Lloyds' interim chief executive, William Chalmers referred to the bank's acquisition of the financial services platform, Embark as "completing the waterfront of our wealth offering". Against the background of what has been and is continuing to take place, such a comment is nothing short of obscene.

We are talking not merely about the reputation of one of our leading banks. What is at stake is the integrity of the City of London and our international standing as a country. If this matter is not swiftly addressed and cleaned up, the UK should, as our Summary suggests, resign from the top table of international nations.

1. The manipulation of Lloyds' publicly disclosed results

Table 1 - Lloyds' impairment and PPI charges since 2017

	£ mn	Q1	Q2	Q3	Q4	Year to Dec
Impairment	2017	127	141	270	257	795
	2018	258	198	86	395	937
	2019	275	304	371	341	1,291
	2020	1,430	2,388	301	128	4,247
	2021	-323	-333			
PPI	2017	350	700	0	600	1,650
	2018	90	460	0	200	750
	2019	100	550	1,800	0	2,450
	2020	0	0	0	85	85
	2021	0	0			
Impairment & PPI	2017	477	841	270	857	2,445
	2018	348	658	86	595	1,687
	2019	375	854	2,171	341	3,741
	2020	1,430	2,388	301	213	4,332
	2021	-323	-333			

Notes 1: Impairment charges are taken above underlying profits. 2: Negative figures this year reflect the write-back of bad loan provisions. Source: Lloyds' quarterly and annual reports

To construct the artificial picture of improving profitability, the bank has manipulated its loan loss provisions and in doing so, appears to have received the full support of its new firm of auditors, Deloitte¹. The manipulation was evident in the first quarter, when even a write-back of bad loan provisions was recorded and maintained in the second quarter, with a similarly-sized write-back.

The PPI catastrophe was the result of the excessive incentivisation of the bank's sales force to sell products, which customers did not want, need or understand. However, the scandals involving HBoS Reading and Lloyds' Business Support Units (BSUs) have been in an altogether different league. They have involved criminal conduct by bank officers and their professional agents. Hence, the absolute need to cover them up, lie about and deny their existence.

2. HBoS Reading – how not to handle a major banking fraud

Table 2 – H1 remediation costs for HBoS Reading

£ mn	Q1	Q2	2020 H1	Q1	Q2	2021 H1
Operating costs	1,877	1,822	3,699	1,851	1,879	3,730
Remediation	87	90	177	65	360	425
Total costs	1,964	1,912	3,876	1,916	2,239	4,155

Note: Remediation has been recorded separately in costs and not included lower down in impairment charges.
Source: Lloyds' first half results statement

Of the £425mn remediation charge taken in the first half, with the bulk in Q2, £91mn related to an FCA fine for home insurance renewals, £184mn to litigation costs and charges for "other legacy programmes" and £150mn for HBoS Reading. The latter reflected "operational costs to provide for the likelihood of activities spanning across 2022, as well as the outcome to date of decisions from the independent (Foskett) re-review panel". We estimate that roughly half of the £150mn may actually have been paid, or is earmarked for payment, to victims of the fraud.

Table 3 - HBoS Reading – mostly spent on reviews & lawyers to cover up

£ mn	Up to 2020	2021 H1 Est	Total
Lloyds' spending on lawyers & reviews	335	75	410
Compensation for victims	100	75	175
Total	435	150	585

An estimated 70% of the total sum spent by Lloyds in the aftermath of HBoS Reading therefore looks to have been outlaid for purposes other than compensating victims – and this for a fraud, which the

¹ Lloyds' Chief internal auditor, Paul Day was hired from Deloitte in 2017, four years before the bank was required under EU regulations to change its auditors. The choice of Deloitte was inevitable because all other main firms of accountants were conflicted.

former Lloyds' CEO, António Horta Osório assured victims that they would be "swiftly" compensated.

In his latest results commentary, Lloyds' interim CEO William Chalmers stated: "Obviously, we are working exceptionally hard to address (the HBoS Reading fraud) in the right and proper way....put them (it) behind us and then focus on doing the right thing going forward".²

Table 4 - HBoS Reading – the timetable of cover up

Feb 2017	HBoS fraudsters jailed; Griggs review commissioned
Apr 2017	Dobbs review commissioned
May 2019	Cranston review commissioned
Dec 2019	Lloyds apologised for shortcomings of Griggs review
Feb 2020	Dobbs review findings postponed – first time
Apr 2020	Foskett panel commissioned – to remedy shortcomings of the Cranston review
Nov 2020	Dobbs review findings postponed – second time
Apr 2021	NCA closed its investigation into further aspects of HBoS Reading fraud
Jul 2021	Dobbs review findings postponed – third time

However since February 2017, with full support of the former FCA chief executive Andrew Bailey, Lloyds has done the exact opposite. It has corrupted and manipulated the Griggs and Cranston reviews and only recently, publication of the Dobbs review, another of the supposedly independent reviews all of which Lloyds has paid for and therefore controls, was postponed for the third time, into next year. The Dobbs enquiry has been inundated with accounts of Lloyds' wrongdoing and criminal conduct and reportedly has involved a team of some fifty legal professionals. It will be incurring sizeable costs and then, there are the expenses for the fourth entirely unnecessary review, the Foskett panel.

The HBoS Reading fraud took place between 2003 and 2007, was brought to trial ten years after the event and still, victims of the fraud have had to fight for justice and proper compensation. Reading has widely been described as a £1bn fraud and yet, Lloyds to date is estimated to have paid out less than £200mn in compensation and is indeed continuing to "work exceptionally hard" but to postpone and limit its liability to compensation.

Last week, the Chairman of the All Party Parliamentary Group (APPG) for Fair Business Banking, Rt. Hon Kevin Hollinrake MP confirmed this, when he stated:

"When you consider that Lloyds initially never accepted that there had been a fraud, then they made all the promises in the world which they failed to keep, then they put in place a compensation scheme that wasn't fit for purpose and tried to minimise their own losses, their behaviour is disgraceful. There has been denial at every turn".³

² Lloyds' results webcast, 29th July.

³ <https://www.thisismoney.co.uk/money/markets/article-9827317/Lloyds-ordered-pay-HBOS-victims.html>

3. The UK's failure to investigate economic crime

In taking active and ongoing steps to postpone its liabilities to compensation for HBoS Reading and other systemic frauds involving its Business Support Units (BSUs), Lloyds has received comprehensive support from every arm of state. This has included prosecutors such as the National Crime Agency (NCA) and the Serious Fraud Office (SFO), as well as the City of London Police (CoLP), which controls the investigation of economic crime throughout the UK. Uniquely, CoLP is accountable to the Guildhall in the City of London, rather than to Parliament and is responsible for Action Fraud, whose comprehensive failings have long been apparent. Lloyds has also been given overwhelming assistance by regulators including the Financial Conduct Authority (FCA)⁴, notably under its former CEO Andrew Bailey and Chairman Charles Randell, as well as others such as the Solicitors Regulation Authority (SRA).

For example, the NCA has since July 2019 received 703 separate crime reports and 26 folders of evidence of the systemic forgery of signatures by banks and their use of deliberately invalid legal documentation, including in court. Leading banks accused of such wrongdoing include Lloyds and RBS. However, the UK's foremost agency tasked with investigating serious organised crime, which this represents, has steadfastly refused all requests to investigate, including those of the Treasury Select Committee. This is manifestly corrupt but no attempt has been made to rectify the situation⁵.

Last week, plans were finally announced to replace Action Fraud. Its numerous short-comings were highlighted by a major Times investigation two years ago, so why has the decision to replace it taken so long?⁶ The reason is that the failure of prosecutors and regulators to investigate economic crime involving our major banks has not been accidental. It has been entirely deliberate.

4. The Business Banking Resolution Service – a total farce⁷

The BBRS was established by HM Treasury and the former chief executive of the FCA, Andrew Bailey, following the Walker Review in November 2018, ostensibly to compensate the victims of banking fraud. However, its true purpose has been to cover up all the illegality undertaken by banks and euthanase those victims left standing as cheaply as possible. The banks have been permitted to exert overwhelming influence over what is supposed to be an independent scheme and as a result of their continued intransigence, the BBRS has descended into farce and prompted a recent letter from Kevin Hollinrake MP to the Chancellor⁸ asking him to widen eligibility to the scheme and prevent its otherwise inevitable collapse. Spending on the BBRS is expected to be approaching £30mn but we are still not aware of any applicant who has been accepted into the scheme, let alone of any sum paid out in compensation. So far, it looks like yet more money spent to cover up.

⁴ See "FCA's leadership must resign", May 2021 on www.lloydsbankassetfrauds.com

⁵ NCA spokesman, 2nd July 2021: "For clarity, we do not have an active investigation at this stage".

⁶ Why also has the Financial Reporting Council (FRC) not been replaced by the new regulator, the Audit, Reporting and Governance Authority (ARGA), as recommended by Sir John Kingman in December 2018 ?

⁷ See "BBRS – a wholly flawed scheme" under Additional Releases on www.lloydsbankassetfrauds.com

⁸ <https://www.appgbanking.org.uk/wp-content/uploads/2021/07/APPG-to-Chancellor-July-2021-Final.pdf>

Summary – Sort out the Lloyds Asset Theft Frauds, or the UK should resign from the top table

The UK has just hosted the G7 and will act as President of the forthcoming COP 26 meeting in Glasgow. Our country retains a place at the top table and claims to observe high international standards, calling out those nations which do not. We have also long been highly regarded for our observance of the law and the independence of our courts.

However, the Lloyds Asset Theft Frauds and their long-standing cover up highlight how those high standards have been, and are continuing to be, comprehensively eroded and undermined at home. The Lloyds scandal can be compared with that involving the Post Office and the bank has engaged the same firm of heavyweight lawyers, Herbert Smith Freehills, which was used by the Post Office to abuse court process and deny proper compensation to victims. However, the Lloyds frauds have been more serious and their cover up considerably more extensive.⁹

In violation of the most fundamental of legal principles¹⁰, Lloyds has been treated as **above the law** and the authorities have refused to investigate widespread criminal conduct undertaken by the bank and its professional agents. If you do not investigate, there can never be any finding of wrongdoing. It is as simple as it is deeply improper. As a result, the Rule of Law and the proper administration of justice have been extensively corrupted.¹¹

A forthcoming report “UK Banking – what is badly wrong and how to put it right” by Professor Nigel Harper¹² describes the problem and suggests how it can be rectified by the introduction of two new regulators to replace those, which have failed and failed deliberately. It is also clear from the present conduct of Lloyds Banking Group that the principles of correct corporate governance are being ignored by the Chairman of Lloyds, even though his expertise in corporate governance is publicly extolled.¹³

This whole matter does not merely involve the reputation of one of the UK’s major banks. More significantly still, it concerns the integrity of the City of London as a global financial centre and our international standing as a country. Like it or not, we need to address comprehensively what amounts to “Britain’s Watergate”. If we do not, the UK should resign from the top table and reconcile itself with a lower position among those countries, for whom observance of the Rule of Law and respect for due and proper process are matters of secondary importance and where it is widely accepted that high-level corrupt practice has become endemic.

⁹ See Presentation “The Lloyds Frauds – more serious than the Post Office” June 2021; see also, “Lloyds Omnibus of press releases”, Dec. 2020, 94pp.on www.lloydsbankassetfrauds.com.

¹⁰ <https://www.legalcheek.com/2015/05/new-lord-chancellor-michael-gove-quotes-lord-denning-as-he-is-sworn-in-at-the-rcj/>

¹¹ See “The Rule of Law – why it matters and how it has been corrupted” on our website.

¹² See “UK Banking – what is badly wrong and how to put it right” by Professor Nigel Harper (July 2021, 43pp) on our website.

¹³ <https://www.thecrownstate.co.uk/our-leadership/the-board/robin-budenberg/>