THE MOST SERIOUS FINANCIAL SCANDAL OF MODERN TIMES

7. HOW EU & UK SECURITIES LAWS WERE VIOLATED

Over the period 2013 – 2018, while the Government was selling the taxpayer's holdings in Lloyds Banking Group and part of those in RBS, investigation into serious professional misconduct and criminal fraud by these banks was being obstructed or refused.

Sales of these shares were made to institutional investors, who were unaware of such wrongdoing and therefore may not have been provided with sufficient information to enable them to make informed decision as to their investments. This has contributed to possible securities fraud, whether inadvertently or not. The Lloyds' rights issue in 2009 set an earlier precedent for this.

Lloyds' rights issue (2009)

- Because of the concealment of the £40bn hole in its Large Corporate loan book, Halifax Bank of Scotland (HBoS) made two capital raisings in June and December 2008, which were based on information which was knowingly false [1]. Following the takeover of HBoS by Lloyds Banking Group in January 2009, Lloyds undertook a placing in June [2] and later, the UK's largest rights issue in November, which raised £13.5bn at a near 40% discount to the prevailing share price.[3] The extent of emergency funding to HBoS was never revealed, with the Chancellor, Alistair Darling stating that "It was for the Lloyds' board to decide what to disclose. The directors had an obligation to ….disclose what they needed in the prospectus".

- 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 (Lloyds) as far back as February 2008 that a massive fraud had taken place [at HBOS Reading]." Prime Minister Gordon Brown was informed of the Reading fraud on 6th October 2008 in a letter, which he acknowledged. The Lloyds' Chairman, Sir Victor Blank also received notification from Mr Andrew Reade on 13th October 2008 but later claimed in court that he had not seen it. The truth of the Chairman's statement is challenged by a summary by Lloyds Bank dated January 2009 of a key report prepared in 2007 by HBOS' Corporate Financial Crime Prevention investigation team, which cited a "lack of evidence" that there had been any wrongdoing at HBoS Reading[4]. This report was submitted by Lloyds to the Financial Services Authority

[1] http://www.appgbanking.org.uk/wp-content/uploads/2018/06/draft-Project-Lord-Turnbull-Report-part-1.pdf - section six.

[2] https://www.lloydsbankinggroup.com/globalassets/documents/investors/2009/2009may18_lbg_placing__open_offer.pdf

[3] https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/6641375/Lloyds-launches-Britains-biggest-right-issue-at-near-40pc-discount.html#:~:text=Lloyds%20Banking%20Group%20has%20launched,to%20strengthen%20its%20balance%20sheet.&text=The%20rights%20issue%20is%20part,by%20the%20acquisition%20of%20HBOS.

[4] https://www.ft.com/content/345e4b44-5fd1-11e7-91a7-502f7ee26895

(FSA) in June 2009. Since then, Lloyds Bank and its senior executive management have continued to lie about when it first knew of the major fraud. They have done so, because if it had been correctly disclosed, the Lloyds' takeover would not have gone ahead since HBoS was already a "gone concern" and its liability for compensation would be commensurately greater.

- However, the Lloyds' rights issue was allowed to take place, despite the failure to disclose either of these matters involving serious wrongdoing, with the regulator, the Financial Services Authority (FSA) and the Government turning a blind eye.

Sales of Taxpayer-owned shares (2013-2017) [5]

- Chancellor Osborne, and to a lesser extent his successor Philip Hammond, together with the Permanent Secretaries to HM Treasury, committed securities fraud, whether inadvertently or otherwise. They have done so both by actively suppressing, and by orchestrating a regime which actively suppressed, bad news concerning the taxpayer-owned banks, while simultaneously selling publicly-owned shares in those banks to institutional investors.

- Under Sections 85 / 87 of FSMA 2000, investors must be supplied with sufficient, suitable information to permit them to make informed decisions as to their investments and no mis-statement or concealment of any material facts or circumstances are permitted. [6] By choosing the accelerated book-build and drip-feed methods for selling the taxpayer's Lloyds shares, the Government circumvented the disclosure requirements of a fully-fledged prospectus.

- Meanwhile, all investigation into criminal misconduct involving HBoS Reading, Lloyds Recoveries Bristol [7] and the secondary lender closely associated with Lloyds, UK Acorn Finance [8] was either obstructed or refused.

- Publication of the Section 166 review into Royal Bank of Scotland's recoveries unit, the Global Restructuring Group (GRG), which similarly distressed small businesses and sought to derive profit from them, was repeatedly postponed, while the sale of the first tranche of RBS shares went ahead. The FCA declined eight times to publish the Section 166 report into systemic wrongdoing by GRG, with Andrew Bailey refusing the request of the Treasury Select Committee to publish this report in September 2017. [9] However, the sale of a further 8% shareholding in RBS went ahead in June of the following year.

[5] Lloyds Asset Theft Frauds, Appendix 7: Lloyds' share sales – investors have reason to feel very aggrieved

[6] http://www.alastairhudson.com/companylaw/Company%20Law%20-%20Securities%20Law%20Text.pdf – Professor Alastair Hudson - Introduction to UK Securities Law, chapter four - prospectuses.

[7] https://www.bbc.co.uk/news/uk-england-bristol-45718520

[8] SFO Director David Green – letter to Bill Wiggin MP, 20th September 2016.

[9] https://www.cityam.com/rbs-grg-scandal-baggage-could-drag-down-andrew-baileys/