

Lloyds, HBOS and the Cranston Review
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4.28 pm

Kevin Hollinrake (Thirsk and Malton) (Con)

I beg to move,

That this House has considered Lloyds, HBOS and the Cranston review.

It is a pleasure to see you in the Chair, Mr Hollobone. I think this is the second time I have spoken under your chairmanship about banking matters. This story is at least as shocking as the last one we discussed.

The story starts back in 2007, when Nikki and Paul Turner, who were then customers of HBOS, told the bank of a huge fraud in its organisation that was affecting them and many other customers. The bank denied all knowledge of the fraud. It sought to suppress the evidence that Nikki and Paul Turner had and to ensure they could not speak out by trying on 22 occasions to repossess their home. Without the Turners, I do not think we would be here today, but they found out, and their determination has brought these matters to this point. The fraud was finally proven in court in 2017, 10 years later—imagine those 10 years of denial.

Despite the fraud happening within HBOS, which was part of Lloyds Banking Group by that point, we were willing and happy for Lloyds to take on its own customer review and compensation scheme for those victims, many of whom had been denied any justice and had it denied to them that any fraud was going on whatsoever. Lloyds set up the Lloyds Bank customer review, also known as the Griggs review because it was headed by Professor Griggs, who was appointed by Lloyds to undertake compensation payments to victims.

The Turners were compensated, but they decided to help other people navigate the Griggs process. They formed an organisation called the SME Alliance, which has been proactive in making sure that people get justice. Not only did they warn Lloyds about the initial fraud; they started to warn Lloyds about how unfair the Griggs review was and how partial the process was to the interests of the bank. In fact, they went as far as commissioning their own review of the review, undertaken by Jonathan Laidlaw in 2018-19, which endorsed the Turners' findings and said that the process was truly unfair and partial to the interests of the bank.

Throughout the process, others were warning Lloyds that the Griggs review and the scheme was completely unfair. Following all those calls and the Laidlaw review, the Minister kindly supported those calls and commissioned a review, carried out by Sir Ross Cranston.

Tonia Antoniazzi (Gower) (Lab)

We have had many reviews and redress schemes in different forms over the past eight years. Does the hon. Gentleman agree that to provide comfort to people, the methodology of those reviews should be independently tested against the benchmarks that Sir Ross set out in his report?

Kevin Hollinrake

The hon. Member is absolutely right. The biggest learning we have is that the whole process must be independent. It simply cannot be fair to have any review carried out within the bank's boundaries that provides compensation for victims. It must be independent and independently verified. I very much appreciate her work and support on the all-party parliamentary group on fair business banking.

The all-party group, which I co-chair, made many calls saying that the process simply was not right. The Minister supported those calls, and we commissioned a review. Andrew Bailey, head of the Financial Conduct Authority, and the future Governor of the Bank of England, engaged in constructive collaboration with us and made an excellent choice of reviewer in Sir Ross Cranston, who has done a tremendous job. Most importantly, he got every stakeholder round the table before he properly commenced the review. He consulted us on many occasions, and we had great confidence in his ability to assess properly whether the review was fair.

Sir Ross's findings were shocking—that is, shocking to anyone not familiar with the process. Anybody familiar with it, whether a victim or victims' support group, knew exactly what he would say. We should be very grateful to him. It is a long report, but its essence is that: the Griggs review did not deliver fair or reasonable offers of compensation; it was not open or transparent; it had serious shortcomings; it took too adversarial an approach to assessing consequential loss; and, crucially, its design meant that it could never deliver fair and reasonable outcomes. Those were his findings.

We are pleased that the chief executive of Lloyds, António Horta-Osório, has written to us and the victims, and he met us. He has apologised unreservedly for the bank's conduct in the review and committed himself personally to getting this right. It should not have been a surprise to anyone—he had been warned on many occasions that the process was flawed. Nobody should be surprised about the result if we allow a business to mark its own homework—it shows a fatal misunderstanding of how businesses operate. I speak as a businessperson who has been in business for 28 years and is still in business today. I do not think I should be allowed to regulate my business or regulate where I have customer complaints; independent oversight is critical.

Milton Friedman, the leading economist, once said that the social responsibility of business is "simply to increase its profit".

Warren Buffett recently said that the Government have to play their part in modifying the market system. We cannot simply leave this stuff to business; we must ensure independent oversight and fair regulation. Business is not afraid of regulation; it just wants stable, fair regulation, not over-regulation.

A bank found guilty in court of defrauding its own customers, which denied that fraud and even disgracefully mistreated whistleblower Sally Masterton in her efforts to keep the fraud out of the public eye, is allowed to compensate its victims, through its own process. The lessons we learn from the process are not just about how to compensate victims fairly and give them justice for their mistreatment but about how the regulators have dealt with it. We undermine our system of free market capitalism if we let these powerful and dominant capitalists go unchecked.

I will briefly list some of the representations that the all-party group has made over the years. My predecessor as chair wrote in February 2017 to António Horta-Osório about Lloyds's plan to take forward the review. He said that there were unacceptable exclusion clauses, the process would be poor when it came to the consequential loss and it was critical that redress was transparent, balanced and legally binding. That was three years ago. We recommended the use of an independent process through the Chartered Institute of Arbitrators which would have been much fairer.

We did not leave it there. Over the past three years, I have had many meetings with the senior management team at Lloyds—I recently met the chief executive—including Lord Blackwell, the chair of Lloyds, as has the director of policy for the all-party group, Heather Buchanan. There has been much correspondence between us. In July 2018, we wrote again to Lloyds and said that the victims were still being treated with contempt. The reply from Lloyds—from Adrian White, the chief operating officer—said:

“We strongly believe that the offers made are both fair and reasonable.”

That demonstrates the institutional arrogance of Lloyds and the wider sector, as people were constantly pointing out that the review was not fair. Any protests about the process were simply ignored. For us, it is not that the bank did not know about it; it simply chose to ignore us and many others.

The key is where we go now. Perhaps this is not the first step, but it is incredibly important that the FCA undertakes an investigation under the senior managers regime on both the Griggs review and the people responsible for that review within Lloyds. Lloyds must take responsibility for the review and other things connected to the whole saga, including the disgraceful treatment of Sally Masterton, the whistleblower, who was mistreated for five years. She was discredited by Lloyds to the FCA, for which she was finally compensated in 2018, yet nobody has been held to account for the mistreatment of a whistleblower pointing out some of these very issues.

Another thing we will need to look at is the people who are not part of Lloyds but are connected to the review. The legal advisers Herbert Smith Freehills are clear that they misled the Financial Conduct Authority about Sally Masterton, the whistleblower. They advised Lloyds on the establishment of the Griggs review, on its operation and on some legal points incorrectly, according to Sir Ross Cranston. It is unthinkable that Herbert Smith Freehills should have any influence on the future redress scheme. That must be an absolute minimum; it cannot happen as we go forward. They should also be the subject of an investigation by the Solicitors Regulation Authority.

The Cranston review offers us a crucial opportunity; it is a watershed moment. It is not just about Lloyds but about the wider banking sector.

Kirsten Oswald (East Renfrewshire) (SNP)

Is the hon. Gentleman aware that a freedom of information request to the Financial Ombudsman Service showed that, between 2015 and 2018, complaints about Clydesdale Bank, now Virgin Money, were disproportionately high in comparison with their larger competitors? There were 404 complaints in total and, worryingly, the percentage of those upheld was only 13%. Does he agree that it is time for the chief executive officer of Virgin Money, as a self-professed challenger to the status quo, to step up and make sure that these legacy cases are dealt with?

Kevin Hollinrake

I absolutely agree with the hon. Lady. This is not just about Lloyds. A number of independent reviews have taken place, but they have been undertaken by the relevant banks. That simply cannot be right, in terms of justice for victims or their feeling that justice has been done. Justice being seen to be done is a basic principle that, it seems, the banking sector does not have to adhere to.

When the APPG was initially talking about future redress, it proposed a financial services tribunal, similar to an employment tribunal, where there would be no adverse costs, so a claim could be taken forward more easily. That would help to reduce the power imbalance between banks and businesses. A comment that came back from one of those commissioning the review on behalf of UK Finance, the banking representative organisation, was that the courts were not the right place for banking disputes to be settled. Well, they are the right place for the rest of us to settle disputes—that is what our system is built upon.

We need impartial, independent processes. I will talk about the right process for that moving forward, because there is an obvious new alternative approach we can take.

Gareth Thomas (Harrow West) (Lab/Co-op)

I pay tribute to the hon. Gentleman for the way in which he has championed justice for those wronged by Lloyds. He is right to describe this case as one of the worst examples of corporate abuse that many of us in this House can remember. Would he be attracted by the consumer ombudsman model? In this case it was not consumers who were primarily affected, but consumer ombudsmen in other countries—crucially, those with class action powers—can bring actions against big businesses that are guilty of the type of behaviour that the hon. Gentleman describes, on behalf of both consumers and small businesses. Would that not be a powerful addition to the regulatory field and help to hold big banks to justice?

Kevin Hollinrake

The hon. Gentleman makes an interesting point, although that is not a model I am familiar with. Class actions are definitely opportunities that are not well exploited the UK because of our legal system. I would be keen to talk to him further about that approach.

Within our system we have the Financial Ombudsman Service, which does not necessarily have the best reputation, although I know the hon. Gentleman is talking about something

different. It is a problem that whoever is overseeing cases has to be competent and have the right understanding, because there are complex cases that take into account issues around complicated banking products. We have to ensure that the calibre of arbitration or adjudication is at the right level—I will say more about that shortly. We certainly need reform. Moving forward, we think we have a good solution, but we need to continue to improve on that.

This is not just about Lloyds. There are a number of other redress schemes for banking malpractice and mistreatment that have already been conducted by relevant banks. Banks were the principal arbiters of deciding how much compensation people were allowed to have relating to the interest rate swaps schemes and interest rate hedging products, many of which had a devastating effect on businesses. The debates that we have had about the Royal Bank of Scotland, over the past months and years, have raised similar problems about the mistreatment of small businesses. There are problems with their review process and with others, as other hon. Members have said.

I will describe cases that put that into perspective. The first person to write to me about a business banking dispute was Jon Welsby from Filey, when I first became a Member of Parliament. He showed me a huge file of evidence about his business, but the dispute came down to quite a simple problem. He had been sold a swap by Lloyds bank—they were sold by many different banks—that had had a devastating effect on the interest rates he had to pay. The amount he had to pay rose from about £5,000 a month to £17,000—perversely, as interest rates fell, as that was the way swaps worked. He was given direct losses, but he was not assessed as being due any consequential losses by the bank-led review. He was able to gather together the resources to take his claim to court. It was a £10 million claim, although I am not clear exactly how much he received, as he settled out of court. He was able to settle the claim, whereas most people cannot get the money together to take their claim to court. He had had his claim assessed by the bank and was not happy with it, but because he had the money to get to court, it was settled for a much higher figure. It cannot be right that the only people accessing justice are those with the wherewithal to get to court. Given that imbalance of power, people would need millions of pounds to take a bank to court. It is simply unfair.

The constituent of my hon. Friend the Member for Beckenham (Bob Stewart), Dean D'Eye, came to us about the RBS Global Restructuring Group scheme. He had a property development business and loans to the value of around 60%. He never missed a payment to RBS. He was sold a swap, which damaged his business, but the key moment came when money from a property sale he had made, to add cash flow to his current account, was taken away by the bank and used to reduce debt. According to Mr D'Eye, that broke the agreement and had a devastating impact on his business.

Bob Stewart (Beckenham) (Con)

It did not just affect Dean D'Eye but it deeply affected his father, who was almost bankrupted and lost his home.

Kevin Hollinrake

Absolutely, and we see that time and time again. It is not just about businesses or jobs—although clearly businesses and jobs are lost—but about the effect on people's lives. I

understand that as a business person myself. My business has been my life. If somebody had taken my business away from me in those circumstances, I do not know how I would have coped.

The Minister may say that many cases are not proven or that the banks may write with various reasons why claims are wrong. That is why we do not put the APPG forward as an arbiter of whether the customer or the bank is right in such cases. We do not think the APPG, the victims or the banks should play that role; it must be somebody entirely independent. As I have said before, we recommended a tribunal approach to solving this imbalance of power. What my hon. Friend the Minister has managed to bring about is something new, called the Business Banking Resolution Service, which we think is a great step forward. We in the APPG have been working with the BBRS for the past year. It will mean that we can look at historical cases and at cases going forward, and at larger businesses too. It is absolutely the right thing, and we believe that the method of adjudication is good.

Our concern is, of course, as I have discussed with the Minister on many occasions, that that approach excludes people who have been through other independent bank-led reviews, which we think is wrong. We think the banks should look at such cases again where there is material evidence that something has not been settled fairly, but with the BBRS as a fallback. We think that is fair, and that should go for all victims of all bank-led remediation schemes who feel there is still a case to answer.

We also think there are other issues that need to be dealt with within the Lloyds Bank Review, certainly on eligibility. The review had very tight restrictions on eligibility: the victim had to have dealt directly with one of the two people convicted of the direct fraud, Lynden Scourfield or Mark Dobson. We think that is an unfair restriction. Lloyds has made ex gratia payments—I think £65,000 in total—that are only allocated to certain people who have been through that scheme or are assessed as being appropriate to go through that scheme, which, again, we think is unfair. Lloyds should look again at that.

We see a lot of people now putting their cases forward for the Business Banking Resolution Services. Our constituents who have these kinds of problem can put their cases forward, and we urge them to do so, but when they do, while their cases are being assessed, we think the bank should declare a moratorium or a stay of proceedings on any cases going through that process.

To conclude, we see this as a crucial opportunity, not only for Lloyds to get this right now, but for the wider business-banking relationship. We are very grateful to the Minister for the steps he has taken, both in appointing Sir Ross Cranston and on the Business Banking Resolution Service. We very much thank Sir Ross Cranston for his excellent work. We see this as a crucial opportunity to restore confidence in the free market system, to ensure that individual victims have access to justice and compensation and to improve the appetite for SMEs to borrow, start businesses and grow them, thereby giving a timely boost to UK plc. Let us ensure that we do not waste the opportunity.

Mr Philip Hollobone (in the Chair)

The debate can last until 5.30 pm. If there are any Back-Bench contributions I can take those, but I need to call the Front Benches no later than 5.7 pm. The guideline limits are five minutes for the SNP, five minutes for Her Majesty's Opposition and 10 minutes for the Minister, and then Mr Hollinrake has a few minutes to sum up the debate at the end. The latest intelligence I have received is that we are expecting Divisions at 5.30 pm, but that they might come earlier. Members will know that if a Division comes during the debate, we have to adjourn for 15 minutes or half an hour, so Members might want to be mindful of speeding up their contributions to ensure that we finish the debate before a Division occurs.

4.53 pm

Jim Shannon (Strangford) (DUP)

I apologise for not being on time, Mr Hollobone; I had a short-notice meeting with the Under-Secretary of State for Northern Ireland, the hon. Member for Worcester (Mr Walker) on Northern Ireland issues, and we had to go to meet him. I talk very fast, Mr Hollobone, as you know, but in the next few minutes I am going to get more words to the minute than any other person ever got, if that is possible. I hope I do not talk so fast that Hansard cannot follow it—I will certainly do my best.

On 18 December 2018, 13 months ago, we gathered here in Westminster Hall for a debate on the same subject of Lloyds HBOS, some nine years after the matter was first raised in the House in June 2009 by Sir James Paice MP. My substantive support for a proper and independent review of the Griggs HBOS bank-led remediation scheme is a matter of record in that debate. Less well-known is what has happened since, so let me put some of that on the record from my perspective today.

I begin by drawing the House's attention to a few paragraphs of an excellent article that I read, by Helen Cahill in *The Mail on Sunday* on 25 January. Helen wrote:

“Sources said Horta-Osorio, who has been at the helm of Britain's biggest retail bank since 2011, is keen to salvage his reputation before departing as chief executive.

He has also halted three legal battles with victims in an effort to repair relations between the bank and its small business customers.

Victims have been fighting for fair compensation for more than a decade. Nikki Turner, director of victims' group SME Alliance, said: ‘We have struggled with this for years. We hope this will encourage other chief executives to be more hands-on. How do you know what's going on in the bank, if you don't know about it personally?’”

Then, in what in my view will prove to be a seminal article, for *Reuters* last Wednesday, under a section entitled:

“Chief executives at a conduct crossroads”,

Rachel Wolcott wrote:

“Bank chief executives face a choice in 2020. They could take actions to resolve fairly disputes and claims stemming from past misconduct. That then would set the tone for how such problems are solved in future and reinforce cultural transformation messaging.”

There are a lot of things that can be done.

“Alternatively, they could continue approaches that resulted in unfair customer redress schemes, customer claims being wrongly denied, and vulnerable customers hauled through the courts.”

The article quotes Ruth Steinholtz as saying:

“They can’t have it both ways.”

They think they can, but they cannot. Ruth Steinholtz is further quoted as saying:

“They say they want to increase trust, but they can’t do that if they don’t take responsibility for their actions and admit they got it wrong. I do think there has to be some sympathy for the reason they have difficulty admitting getting it wrong, which is they get slammed by the regulators every time they do”—

but if it is wrong, it is wrong and they should say that.

The article continues:

“The Cranston Review, which saw Lloyds Banking Group’s handling of HBOS Reading victims criticised, may have been a catalyst for that very change in approach required to take Lloyds’ cultural transformation work forward. Lloyds has invested in efforts to improve culture, making key hires and revamping its purpose, values and behaviour statement. Recent decisions by Antonio Horta-Osorio, chief executive to increase HBOS Reading fraud victims’ compensation, pre-empting further unflattering investigation results expected in the Dobbs Review, was deemed as a step in the right direction.”

It is, and it should be seen as such. The article goes on to say:

“If this approach continues to influence Lloyds’ engagement with mortgage prisoners, cases that come through the Business Banking Resolution Scheme (BBRS), PPI claimants and yet to be uncovered conduct problems, its chances of achieving meaningful cultural improvements may increase.

Barclays, RBS, Virgin Money and other UK banks have not made public any change in attitude towards legacy conduct issues, however.”

It is disappointing that they have not.

“Banks, via UK Finance, contested the eligibility criteria for the BBRS, which is aimed at putting SME mistreatment in the past.”

Regrettably, “Most banks have made few meaningful actions to help mortgage prisoners or customers whose loans were sold to debt collectors and vulture funds.”

That includes Lloyds as one of the culprits.

“David Duffy, chief executive at Virgin Money Holdings, in contrast to Lloyds’ recent approach, has rebuffed the FCA’s Bailey’s specific requests to ‘deal with’ some of its most troublesome and longstanding SME customer disputes.”

Mr Duffy is noticeably where his Lloyds CEO counterpart was a few weeks ago, pre-Cranston, and in my view he needs to move his position to remove the shackles strangling this bank.

The Minister will be well aware of the case of John Guidi, the CYBG, now Virgin Money, hunger striker, and his recent correspondence, now publicised on Twitter and elsewhere, detailing the implications of both his case and many others. It is insightful to read the Reuters article by Lindsey Rogerson on 24 January, headlined:

“Outgoing FCA chief advocates for bank victims inclusion in new resolution scheme”.

That is good news.

The article addressed Andrew Bailey’s public and private view on both Mr Guidi’s case—I have probably pronounced his name wrong there—and those of the other victims of banks that are not yet participating in the BBRs, such as Zurich Dunbar. I ask the Minister, in his concluding remarks, to respond by giving his view and that of Government on the following observation by Mr Guidi:

“Meanwhile, the Vulture funds appear to be untouchable by the law yet they use their distorted version of law for their own benefit to destroy the honest and hardworking, tax paying SMEs and individual people of this country and leave them destitute as a burden on the state while they themselves pay no taxes in the UK, Ireland or anywhere else.”

I turn now to an instance that I witnessed, together with our voluntary adviser, Brian Little at Westminster for Banking, who has assisted with auditing and whistleblowing since that December 2018 debate. I was approached by Lloyds Banking Group’s public affairs director, Mr Benedict Brogan, who asked to speak with us about the content of various parts of my speech, which Brian and I were very willing to do. Our first meeting took place immediately on the resumption of Parliament after Christmas 2018.

A number of matters were discussed, including—specifically relevant to the debate—the importance of a meaningful and competent review of the Griggs scheme, together with the crucial involvement of victims’ representatives in the recently announced dispute resolution scheme, now called the Business Banking Resolution Service. From our experience in Northern Ireland, we believe that all the people cannot really move on until the victims’ aspects are properly considered and a closure and reconciliation process undertaken, as the hon. Member for Thirsk and Malton (Kevin Hollinrake) mentioned; I only caught the tail end of his speech, but I have spoken to him about this. He and I both requested this debate, and I am pleased that we got it.

As a result, over the next couple of months, Mr Brogan engaged with other banks, and centrally Mr Horta-Osório suggested that Nikki Turner of the SME Alliance be invited to join the independent steering group, or ISG. Bearing in mind that Paul and Nikki Turner had been

the subject of 22 applications for eviction by Lloyds, and that the Lloyds CEO was subjected to calls for his resignation in Parliament in that December debate, this was an enormous ask, and impossible in many people's eyes; in effect, a few of us were thought of as mad. We understand that, when António was approached on the subject, after several seconds of reflection and following his interview by CNBC in Davos in January 2019, he looked up and said words to the effect that "it was the only way forward", and so it is.

Shortly afterwards, on 12 March 2019, Nikki and the SME Alliance released to the press that they had been invited and were joining the ISG of the DRS. That press release also referenced Mr Ian Lightbody from the CYBG Remediation Support Group. Unfortunately, the DRS chairman, Mr Lewis Shand Smith, did not follow Ian's involvement through, despite another small business representative board member from Make UK being unable to attend. That was, and remains, a huge disappointment to Financial Conduct Authority CEO Andrew Bailey, the SME Alliance and the all-party parliamentary group on fair business banking.

Despite the time pressures across many fronts on Andrew Bailey, who is soon to be Governor of the Bank of England, we witnessed his personally taking charge of the interviews for the chair of that review with an unwavering commitment to the values and intent of that process, which we welcomed. After a couple of challenges in securing other candidates, Sir Ross Cranston was selected. He has proven to be exactly what was required—independent, evidence-led, competent, fair and robust. I put on the record our thanks and gratitude to both Andrew Bailey and Sir Ross Cranston for their work on this in 2019. I must also add thanks to the Lloyds CEO, Mr António Horta-Osório, who devoted some of his time to overseeing not only the HBOS aspect of this but the treatment of other victims, such as victims of Lloyds business support unit. I wrote to António to thank him personally on Monday 20 January.

Yes, Rachel Wolcott is right: bank chief executives are at a conduct crossroads in 2020. How true that is. This is the year that their actions, including active support for the BBRS, will communicate to their staff, the victims and the public at large whether cultures are really changing.

My final point relates to a victims' conference I attended and spoke at on 17 September last year in London, where I heard Brian Little tell a story to victims that got everyone's attention. It is on YouTube; most things seem to be nowadays. Back in 2011, Brian was a constituent of mine, and he still is. He had a mental breakdown for some 17 months, during which time I, as a new MP, and with my parliamentary aide, assisted in keeping his whistleblowing case alive during his diagnosis and recovery.

During that time, we met the now-Lord Andrew Tyrie, in his role as Chairman of the Treasury Committee, in relation to independent reports and assessors. By coincidence, António was the subject of stories on the front page of The Daily Telegraph on 4 May 2011. While only just in the CEO role, António had taken the brave step away from the UK Finance position on PPI and stated that Lloyds must address the compensation issue. Back then, that was perhaps £5 billion to £10 billion across the banks; it is now more than £50 billion, but it was the right thing to do. Brian's story was about cover-ups in reports; the court eventually found that he had made 12 protected disclosures.

On Saturday, I read an article in The Times in which Katherine Griffiths wrote that António was now the longest-serving CEO in the FTSE 100, and that the search for his successor is imminent. Whether accurate or not, I ask through this House that Mr Horta-Osório continues

what a number of us have witnessed in the last few months: personal involvement and oversight of the Cranston compensation review and active support for the BBRS, and perhaps even the involvement in a closure and reconciliation process at Lloyds, which we would be more than happy to discuss with him prior to any departure or retirement.

I am conscious of the time, so I will scoot forward to near the end of my speech. In relation to third-party debt, can I ask that the Minister takes similar action immediately? Most of this will not be about individual cases, but I am concerned that the BBRS will not be ready in time to hear the case of Nigel Henderson, as he is terminally ill. While the Minister consistently states that he is unable to address individual cases, which I understand, I should think that he would wish to publicly endorse the emergency cases policy of the BBRS that James Hurley reflected in his recent article in *The Times*, in which he wrote:

“Bosses of the service have been asked to prioritise cases where business owners are terminally ill and where there are imminent repossession or bankruptcy issues.”

It is morally right to do that, so why should we not?

An open letter to the Prime Minister last Wednesday from the Banking Victims for a Future groups stated:

“The objective is to have Banks put things right, redress customers, where they should be redressed, and continue to reinforce our work that Banks really need to earn people’s trust. Without this redress through a credible Business Banking Resolution Service (BBRS) followed by an appropriate closure and reconciliation process, within each bank, for the last 20 years we will not help this nation and its people, through many small businesses, PROSPER in a post-Brexit United Kingdom.”

Everybody will want that, whether they are in favour of Brexit or not.

I will conclude with this comment from UK Mortgage Prisoners:

“We do not want to be left behind within our Prime Minister’s hope for our nation. We didn’t deserve this and should not continue to suffer. We insist that our ‘People’s Government’ provide a solution and reflect it in the chancellor’s budget speech on 11th March 2020, to the nation”.

I look forward to hearing the Minister’s response to my two key points and to whether he endorses these aspirations of the Prime Minister. I thank you, Mr Hollobone, and hon. Members for enduring my speaking at 60 words to the second, or thereabouts.

5.06 pm

[Alison Thewliss \(Glasgow Central\) \(SNP\)](#)

It is a pleasure to serve under your chairmanship, Mr Hollobone. I pay tribute to the hon. Member for Thirsk and Malton (Kevin Hollinrake) for his diligence and for his role in the all-party parliamentary group on fair business banking, and for bringing yet another debate. I also pay tribute to Heather Buchanan for her diligent work behind the scenes.

If this process has taught us anything, it is that we need urgently to look at reforming the banking system into an ethical model that works for customers, whether they are private individuals or businesses, because this scandal has evaded every safeguard that ought to protect customers. As the hon. Member for Strangford (Jim Shannon) said in hope, there should now be a positive influence on the behaviour and attitude in banks, but an awful lot still needs to change. As he also mentioned, this is much bigger than only Lloyds and HBOS, and we need to look more widely at the issue.

Customers were defrauded of millions of pounds, and there was nothing short of a corporate strategy within Lloyds to cover that up. There is evidence that the bank's own compliance officers were involved in the cover-up. The scandal was not uncovered by a regulator but by whistleblowers such as Sally Masterton, who was treated appallingly by Lloyds—as the hon. Member for Thirsk and Malton laid out—and put on enforced leave for her part in bringing the issue to light. She was even prevented from working with the police to bring about an end to the scandal. If we cannot rely on whistleblowers to be supported through this process, we have a serious problem. The hon. Gentleman also mentioned the Turners, and we should pay tribute to them for their 10-year battle through this as well. It should not take 10 years for people to get a reasonable response and to get justice when they have been wronged.

The independent Griggs review was supposed to deliver compensation to the victims, but this too fell short of expectations. The role of the independent reviewer was to oversee cases to ensure that they were fair. However, customers criticised the process, owing to the unaccountability of the reviewer, who would often fail to disclose what information had been provided to them from the bank. Some described it as corrupt, and many have reported it as being a thoroughly awful experience. Cranston himself described the banks as confrontational and, at times, forceful, which is completely inappropriate, regardless of the situation. Customers had no way of knowing what was fair or of seeing the working behind it. As the hon. Member for Thirsk and Malton mentioned, there is an inherent power imbalance within this, with people having to go to court and pursue this over many years, which many could not afford to do.

I know that Members across the House will be grateful for Sir Ross Cranston's diligent work in his review of this fiasco, and we thank him for that. Particularly welcome is his recommendation that customers should be released from egregious settlement agreements, which many customers agreed to as they were offered on a take-it-or-leave-it basis by the bank; customers often felt that they had no other choice.

Sir Ross Cranston also recommends that the bank must arrange for the reassessment of direct and consequential losses by an independent body. In his report, he says that “this part of the Customer Review, both in structure and in implementation, was neither fair nor reasonable... Other inconsistencies also resulted in unfairness... The general failure to communicate in a sufficiently clear and transparent way caused confusion”.

The bank did not make a single redress payment for direct and consequential losses to any business individual affected by the scandal. This could cover such damage as loss of opportunity, loss of profits, reputational damage, and claims for the impact of the scandal on a customer's personal life. Given the time period over which this took place, it is clear this could have had a huge impact on the lives of the victims of this scandal.

It is unfortunate that banks cannot always be relied on to act in the best interest of their customers without adequate enforcement of the rules. We cannot allow them to mark their own homework. I urge the Minister to investigate the possibility of creating a permanent commercial financial dispute resolution platform, which would allow a streamlined process for consumers to hold banks to account and go some way towards alleviating the suffering of victims of mis-selling.

Although there is no doubt that some individuals went to great efforts to bring justice to the victims of this scandal, there is still no straightforward recommendation for redress for customers, for them to achieve the fairness and justice they deserve. We have seen people lose their businesses and livelihoods before any justice was served. People such as those mentioned by the hon. Member for Strangford, who have suffered through ill health or who have aged in the intervening years, need to see that soon. For many people, those opportunities may be lost forever. The Treasury must act to ensure that a scandal of this magnitude cannot happen again. The legacy of this saga must be change across the board.

My hon. Friend the Member for East Renfrewshire (Kirsten Oswald) mentioned Clydesdale and Virgin Money. We know other issues are brewing out there. I ask the Minister to take those into account. Again, I thank Sir Ross Cranston for his report, and the significant pressure for change, which leaves it to us and the UK Government to act.

5.11 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op)

I am grateful, Mr Hollobone, for giving me the chance to respond to this debate. I thank the hon. Member for Thirsk and Malton (Kevin Hollinrake) for securing this debate and the all-party parliamentary group on fair business banking for all its efforts to secure justice for victims of banking fraud and misconduct.

The hon. Gentleman has made clear the significance of the Cranston review in reconsidering the process by which banks compensate business customers where there has been historical misconduct. I add my voice to his. Strangely, this is now a positive story: we finally have the review we all wanted, although the journey to get here has been fairly tortuous.

Everyone here has been involved in these issues for some time. In my time as the shadow City Minister I have had to become familiar with and speak about an appalling litany of complaints about how business customers have been treated, not multinational businesses, but the small businesses that we would all recognise as the backbone of our constituencies and this country. The stories have been of livelihoods and relationships destroyed, and of entrepreneurs and companies losing family businesses they have spent years building.

We are here to discuss Lloyds. The HBOS Reading issues were clearly an issue of criminal liability in that bank. In the wider sector we have discussed a whole range of unacceptable conduct: the mis-selling of interest rates and hedging products, the mistreatment of companies in distress by pushing them into restructuring, and the unscrupulous sales of loan books to vulture funds. That is why the question of how redress happens has become so important.

Research shows that a frighteningly small number of small businesses in this country believe that their bank will do the right thing by them. Given the reports detailing the historical conduct we have discussed, we cannot blame them. We must all improve on that. Whether we are politicians, banks or businesses, this lack of confidence is not in our interest. We need to be able to tell our constituents that there is a level playing field when they find themselves in conflict with their bank, and that there is a path to fairness, justice and proper redress.

Too often, in recent years, the response from banks to us has been, “Systems are in place and we believe they are fair. All the historical issues have been sufficiently dealt with.” This report has shown unequivocally that not to be the case, vindicating those of us who have campaigned in this area for years, particularly the hon. Member for Thirsk and Malton.

It is not acceptable for industry to equivocate on this any longer and, to use the hon. Gentleman’s phrase, to mark its own homework. Key problems identified in the Cranston review include the lack of independence in assessing complaints and the benchmark for compensation being so high that no customer could hope to meet it. It is important that we, as parliamentarians, learn the lessons from these observations and embed those principles in any new schemes. I look forward to the Minister’s response to the review.

There are other avenues we must continue to consider, to get to the root of this problem. I believe we should consider a full public inquiry into business banking scandals. This review is about the shortcomings of one bank compensation scheme, but it emphasises the importance of investigating all areas of misconduct, not just to ensure that victims get fair compensation—that is the minimum—but to identify systemic problems at the root of these scandals, to prevent them happening again. That could be challenging to us as parliamentarians.

I always worry that the model of banking in this country, whether for customers or small businesses, effectively relies on upselling products, so we do not really pay for the cost of our banking services, and therefore we have business models where products must be sold on to banking customers. Perhaps we need to look at that. We must continue to work towards the success of the business banking resolution scheme, to assess how successful it is in addressing these problems.

Kevin Hollinrake

The hon. Gentleman makes a good point about products and services being sold to consumers and businesses. The royal commission in Australia determined that one of the biggest drivers of mistreatment of businesses and consumers was the incentives paid to people at the sharp end to sell those products. The hon. Gentleman is absolutely right. A public inquiry might well identify where this is going so badly wrong.

Jonathan Reynolds

I am grateful to the hon. Gentleman for his intervention. We must look at the issue that he raises. In some ways, we have already addressed some of the things that the Australians had not yet got round to, as the scope was different, but that must be part of the conversation, because we can go back, decade after decade, and find historical problems in the sector.

Clearly, something is happening, whether it involves the incentives for staff or the structure of the sector, that we might want to change.

I mentioned the business banking resolution scheme. Historically, I have always supported an independent tribunal system and I still believe that that proposal has merit, but perhaps we need to revisit regularly the BBRS's work to ensure that it is getting the results that it requires in the timeframe.

My final point is on whistleblowers. Sally Masterton was mentioned. She was treated disgracefully. Other countries have much stronger protection for whistleblowers. I think we could look at that issue. If I were, as I have always wanted to be, in the Minister's place, responding to the debate, I would want us to take that forward, to ensure that we really had an appropriate system that addressed all the needs.

5.17 pm

The Economic Secretary to the Treasury (John Glen)

It is a pleasure to serve under your chairmanship again, Mr Hollobone. I, too, pay tribute to my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake). Obviously, in this role, I have shadow Ministers shadowing my every move, but I also have my hon. Friend, who has spoken up very effectively on these issues over the past 25 months. We have had a constructive dialogue on many matters, and I look forward to addressing the points he and others have made in my response.

It has been just over a year since I announced that Lloyds would commission a review into the Griggs compensation scheme, which is another stepping stone in Lloyds' journey to right the wrongs of the past and rebuild trust with their business customers. From the outset, I was clear that if the findings of the review were to hold up to scrutiny, the person overseeing it must be truly independent. I was therefore delighted by the appointment of Sir Ross Cranston, a former Labour Member of Parliament who was Solicitor General between 1998 and 2001 and is a professor of law at the London School of Economics, a Queen's counsel, and a retired High Court judge. I met him on two occasions to check on progress, between May and when purdah commenced. That was not to influence him regarding the particular conduct, but to encourage him to look at this issue as thoroughly as possible.

Sir Ross found that the Griggs compensation scheme had serious shortcomings, as has been expressed fully in this debate, and that it did not achieve the stated purpose of delivering fair and reasonable compensation offers. Assessments of direct and consequential loss were too adversarial and legalistic, which was unfair and unreasonable for the customers it was designed to support. Sir Ross also found several other inconsistencies, along with a general lack of clarity underpinning the scheme, while the bank's failure to communicate with customers in a transparent manner caused further unnecessary confusion.

Sir Ross found that some elements of the compensation scheme were good. For example, Lloyds provided generous legal assistance and wrote off some customer debts, as well as paying substantial distress and inconvenience redress. Nevertheless, the overriding conclusions were hugely disappointing, and Sir Ross has made it clear that Lloyds has more work to do to achieve the stated aims of its original compensation scheme.

The most substantial of Sir Ross's recommendations is that customer claims for direct and consequential loss must be reassessed, and Lloyds is working with customers and relevant parties to agree the details of this process. I know that representatives of Lloyds have been mentioned in this debate, and I have been given assurances that they are eager to get on with things. That could be through the new Business Banking Resolution Service, which has been referred to in today's debate, or through an equivalent scheme that is committed to achieving the same rigorous outcomes. Either way, it is pretty clear to me that these cases must be considered by an independent body in a transparent manner.

There has been work on this issue by the all-party parliamentary group on fair business, with support from Heather Buchanan, who was mentioned earlier, and the SME Alliance. I also know that Sir Ross Cranston himself is engaged in this process, which must continue, and must be thorough and rigorous.

Sir Ross has also recommended that Lloyds make payments to cover the debts of customers who repaid or refinanced loans, as well as releasing customers from certain aspects of their settlement agreements. It is vital that Lloyds now implements the recommendations as quickly as possible and continues to support customers as they navigate this process. I will follow progress closely and I expect to be regularly updated; I have made that clear.

I turn now to some of the points made by hon. Members throughout the debate this afternoon. The hon. Member for Gower (Tonia Antoniazzi), who is no longer in her place, asked whether all reviews should be tested against Sir Ross's methodology. I will just say this: I think that all banks have a responsibility to reflect on the findings of the Cranston review and consider whether their own redress schemes achieved fair and reasonable outcomes for customers. Obviously, people have different interpretations, but the Cranston review is a wake-up call to banks to examine whether the appropriate transparent processes have been followed. That should happen now.

Bob Stewart

Will the Minister give way?

John Glen

I will just make my next point, then I will give way to my hon. Friend.

My hon. Friend the Member for Thirsk and Malton asked about the appropriateness of the Financial Conduct Authority carrying out a review under the senior managers and certification regime. As he will know, the FCA is operationally independent of Government and it is for the FCA to consider whether there is sufficient evidence for such an investigation.

I know that we have spoken previously about Dame Linda Dobbs's investigation, which has been ongoing for a considerable amount of time. That really needs to come to a conclusion; we need to see the results of that investigation. However, I cannot say more than that, because it is a matter for the FCA to consider. Now I am very happy to give way to my hon. Friend the Member for Beckenham (Bob Stewart).

Bob Stewart

I thank the Minister for giving way; he is an honourable and decent man. However, what shocks me most about all of this is that some banks are not acting decently and honourably. That really worries me; they should do that naturally. They are a bastion of our society, just as business is.

John Glen

My hon. Friend makes a powerful point, which goes to the core of this matter. The Cranston review points to the fact that we now have a higher bar of expectations in terms of how these redress schemes should be operated in a transparent way. He has spoken in this debate and previously about the distress that has been caused to his constituents, and many other Members have also made points during this debate.

The wider banking industry has a responsibility to reflect on the review's findings and act accordingly, so I welcome the banking industry's commitment to creating a new scheme to address unresolved historic complaints from small and medium-sized enterprises that have not been through a formal independent process, and to address future complaints made by slightly larger SMEs that are just outside the remit of the Financial Ombudsman Service.

Jim Shannon

Will the Minister give way?

John Glen

I will in a moment.

The aforementioned Business Banking Resolution Service opened to expressions of interest last November, ahead of its full launch later this year. Meanwhile, the expansion of the FOS last April means that over 99% of all SMEs now have access to fair, free and fast dispute resolution.

The hon. Member for Strangford (Jim Shannon) asked me to give way; I am happy to do so, but I want to refer to the points that he made. He referred to the eligibility of the BBRS. It is not for me to determine the eligibility of the BBRS, but his points about the prioritisation of cases will have been heard very clearly by those who have set up that service, and I urge the BBRS to reflect on his contribution to this debate.

The BBRS and the expansion of the FOS build on several initiatives that the Government have introduced, including the senior managers certification regime, which will hold key individuals at banks to account for the decisions that they make, including decisions that could impact on their SME customers. The industry has also made changes. For example, all major lenders are signatories of the standards of lending practice, ensuring that banks treat their customers in a fair and reasonable way. I hope that these steps, together with the work carried out this year to address historic SME disputes, will bring unresolved disputes to a close and prevent the same circumstances from occurring again.

I will conclude by saying that over the past year Sir Ross has taken considerable time to discuss sensitive and often distressing matters with customers; he has had 49 meetings with 62 customers, alongside his adopting a detailed and forensic approach to the cases he has reviewed, so I thank him for his efforts.

I welcome the commitment of Lloyds to implementing the recommendations of the Cranston review, and I will follow progress closely. I note the points made by the hon. Member for Glasgow Central (Alison Thewliss) and others, and I will reflect on them carefully.

The establishment of the Business Banking Resolution Service provides a further means of redress, and I look forward to seeing it bring closure to many long-running disputes. I am confident that we can continue to build on the good work that industry, small business representatives, regulators and Government have begun to rebuild trust, so that small businesses can access the finance they need to prosper and grow.

Mr Philip Hollobone (in the Chair)

I call Kevin Hollinrake to sum up the debate.

5.27 pm

Kevin Hollinrake

I am grateful to you, Mr Hollobone, for calling me again, and to the Minister for his comments.

Sir Ross Cranston has left a tremendous legacy with his report, and I am very pleased to hear that the Minister thinks similarly. This matter is not just about this individual review process—the Griggs review. An industry benchmark should be set on how to do things and how not to do them, and on what “good” looks like. The Minister is absolutely right that all banks should look back again at their processes and reviews, and make sure they have got things right.

The other thing we need to learn from this matter is that when these processes—these redress schemes—are set up, we have to put the victims at the heart of them; we have got to get the stakeholders at the heart of them. Lloyds did not do that and nor did Royal Bank of Scotland. Sir Ross, more than anybody else, has done that, which must be the lesson that we learn.

I will conclude by saying that Churchill once said of the Americans that they always do the right thing but only after they have tried all the alternatives. That is what we must consider when we try to hold businesses to account; we must assume that they are not going to do the right thing. They are many very decent people in the banking sector and in business more widely, but we simply cannot trust that people will do the right thing. People do what is inspected and not what is expected, so we must absolutely make sure that we do our bit. I know the Treasury will do its bit to try and ensure that we get this matter right, but the FCA, the BBS and all those different stakeholders need to ensure this time that we get things right.

Question put and agreed to.

Resolved,

That this House has considered Lloyds, HBOS and the Cranston review.

5.28 pm

Sitting adjourned.