

HBOS fraud ‘cover-up’ report due by end of year

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Dame Linda Dobbs is due to start questioning staff and executives at the bank shortly



A review into whether executives at [Lloyds Banking Group](#) covered up a £1 billion fraud is due to be completed by the end of the year, more than three years after it was commissioned.

[Dame Linda Dobbs](#), who is leading an investigation into the bank’s handling of the HBOS Reading scam, admitted that the unexpected complexity of the exercise had meant it had taken “much longer” than expected.

In a message to witnesses, the former high court judge said that her report would be handed to Lloyds this winter.

She is leading a team that is examining Lloyds’ handling of the fraud, which took place before it rescued HBOS in 2009.

Dame Linda, who was appointed in 2017, told witnesses that she had originally hoped to complete the exercise in a “matter of months”. However, she said that the “scale and scope of the undertaking” had led to delays. The scam involved bankers and business consultants, who exploited reckless credit policies to steal from the bank. They wrecked scores of small and medium-sized businesses in the process. Six people were jailed in January 2017.

Dame Linda is examining the treatment of about 80 businesses as well as how Lloyds engaged with the police investigation. The review officially covers an eight-year period between 2009 and January 2017, when the criminal trial concluded, but Dame Linda said that it was necessary to look at issues dating back as far as 2002.

These are understood to include allegations that HBOS management in effect condoned the scam because loading companies up with debt avoided recognising write-offs in the accounts. This was because they allegedly did not want to reflect the true position of these “bad loans” in the bank’s balance sheet in the run-up to the financial crisis. Dame Linda said that the inquiry had analysed more than 150,000 documents “running into hundreds of pages each” and 100 witnesses had been interviewed, including victims and police officers.

There are more than 50 barristers working on the review, which will be paid for by Lloyds. This autumn, the bank’s executives and staff are due to be interviewed, Dame Linda said.

She has been drafting the report for publication, but it will be handed to the bank and regulators who will decide whether to circulate it widely. The bank said that it would share “findings” with the Treasury select committee.