

Lloyds pledges special payout to victims of HBOS Reading scandal

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Nikki Turner, who has led a campaign with Paul Turner for compensation, said that the payments suggested Lloyds was taking the issue seriously

Lloyds Banking Group has promised to award £35,000 each to nearly 200 fraud victims after criticism of how it treated small business owners whose livelihoods were damaged or destroyed by the HBOS Reading scam.

The decision to make the special payment to 191 victims comes as the bank seeks to respond to concerns over extra delays caused by a new review of the bank's compensation scheme. Details of the payments were first reported by the *Financial Times*.

The £1 billion fraud took place before Lloyds rescued HBOS in 2009. It involved bankers and business consultants exploiting reckless credit policies to steal from the bank, harming small and medium-sized businesses in the process. The scandal led to the convictions of six people in 2017, including two former employees of HBOS.

Lloyds agreed to reassess damages claims after Sir Ross Cranston, 71, a retired High Court judge, concluded this month that the bank's redress scheme had "serious shortcomings". The Cranston review was launched in May in response to complaints from victims about an earlier independent review led by Russel Griggs, a banking adviser. The Griggs review paid

out £80 million in compensation but has been blighted by allegations of flawed methodology and inconsistent payouts.

Sir Ross found that Lloyds had blamed victims rather than the fraudsters for the damage to their companies. He said that the bank took an “overly adversarial approach in its assessment of claims”, refused to disclose documents to victims and overlooked evidence supplied by customers. The methodology and reasoning behind offers were “opaque”.

He added that “claims to direct and consequential loss must be reassessed” and accused Lloyds of an “unacceptable denial of responsibility”. He recommended that an independent panel should be set up to reassess compensation claims.

The Financial Conduct Authority has said the bank’s failings must be addressed quickly. The City watchdog added that senior management must explain how and why the issues identified by Sir Ross occurred and that “further action may be required in light of those answers”. Lloyds has made a commitment to implement the recommendations of the Cranston review “in full and transparently” so that customers “can have confidence that fair outcomes have been achieved”.

The bank has paid out more than £100 million in compensation. The special payments of £35,000 will add an extra £7 million to those costs.

A spokesman for Lloyds said: “A common concern expressed by customers, as well as other stakeholders, during recent meetings has been that a re- review will take time and that this creates further delays and distress for them. We have listened to these concerns and are very sorry for this.

“While we await the identification of the independent expert or experts who will define and lead the re-review we will make a £35,000 ex-gratia payment to all customers who were within the customer review.” The payments will be made regardless of whether the victims opt into the re-review.

António Horta-Osório, 55, chief executive of Lloyds, has promised to work with victims, their representatives and the City regulator. This month he agreed to meet victims of the fraud for the first time.

Nikki Turner, director of the SME Alliance, a lobby group that has campaigned for compensation, said: “The special payment will certainly help a lot of people over the Christmas period. I am most pleased that this level of engagement from senior management signals that we will get a proper review of the cases post the Cranston review.”