

# Commercial Pay Pot: Where Is The Missing £1.6 Million?

In a recent Interchange message, David Postings (Managing Director, Commercial) confirmed what LTU has long suspected ... that Commercial / Business Banking has not been spending its full 'Pay Pot' allocation on salary increases over recent years. **In fact, we are told it has withheld 0.7% from salaries this year.**

**Despite the fact that the Bank's Compensation and Benefits Department has stated that "the pay pot is for use on salary increases only", Mr Postings has confirmed that money has been diverted from salary increases.**

**The intranet message lifts the lid on the pay policy that has operated surreptitiously within Commercial / Business Banking over recent years.** The Interchange message is reproduced inside for staff who have not previously seen it.

## The Missing £1.6 Million

Mr Postings says that, over the last three years, average pay increases have been 3.1%. This means that, as a consequence of restricting pay increases in this way, **Commercial Staff are now being paid on average 1.6% less than they should be.**

**Put another way, this is equivalent to staff collectively being denied around £1.6 million a year in salaries that they should be receiving. And this is before calculating the longer-term loss of other benefits such as pensions.**

**But what is not clear is where exactly the missing £1.6m creamed off from salaries has been spent?**

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## No Excuses

Mr Postings seems intent on blurring the facts over where the £1.6 million redirected from salary increases has been spent.

He points to higher bonuses this year. But bonuses are self-financed through improved business performance which - with profit before tax having increased by £51 million or 26 per cent last year - are entirely justified.

Furthermore, bonus payments may have doubled over the last three years, but profits have increased by a similar amount over the same period. So additional bonuses should easily be financed from profits growth rather than diverting money from salary increases.

Of course, Mr Postings' veiled threat that if he paid the proper salary increases to which staff are entitled he would "have to reduce staff numbers" is at best disingenuous. After all, the business unit has been cutting staff numbers for some time and earlier this year announced yet more cuts.

# Mr Postings Comments - An Analysis

We have reproduced Mr Postings' interchange communication at the foot of this page.

So do his comments hold true or have any merit? Or are they exposed when subject to any serious analysis? That is the purpose of this section, by examining each key statement in turn.

***"This whinging (over pay) is getting me down" and that Commercial Staff should "stop the moaning"***

Well it may be news to Mr Postings, but denying staff the pay increases to which they are entitled means:

- \* Lower Pensions entitlement, which will have a lasting impact on staff when they eventually retire.
- \* Reductions in those other Staff Benefits linked to Basic Pay (Flavours, Sharesave, etc.)
- \* A lower overall pay budget upon which to calculate future Pay Pots. So staff will suffer from continuing smaller salary increases in future years.

So, staff have every reason to complain ... especially when only now has it been admitted that they have been receiving pay increases from a lower pay pot than the Bank centrally had been promoting.

They should be appalled by what amounts to a deception over how pay policy has actually been managed!

***"I myself did not receive a rise for 3 years"***.

We of course suspect Mr Postings is on a somewhat higher remuneration package than other Commercial Staff and therefore better placed to afford to choose to forgo salary increases.

We also imagine he received a substantial increase in pay around three years ago when he left Barclays to join Lloyds TSB!!!

***"more than double the bonus pot in the last 3 years and put an extra £600,000 in recently"***.

No-one should expect anything less, since bonus arrangements are designed to be self-financing and based upon the business unit's financial performance.

The fact is that over the last three years, Business Banking's Profit Before Tax jumped from £106 million in 2003 to £214 million in 2006. That is more than a doubling of profits over the period.

Rather than boasting that the bonus pot has doubled over the last three years, the real question for Mr Postings is why the bonus pot isn't bigger!!!

What's more, we estimate that the "extra £600,000" is worth less than the amount taken from salaries!!!

***"if we have a bad year and I have paid you too much then I would have to reduce staff numbers"***

Complete rubbish. The fact is that the business unit did perform exceptionally well last year. This was the result of both improved performance and lower staff

## Interchange Message

### RE: PAY 'RISES' (OR LACK OF!)

09-Mar-07 13.32 by David Postings

guys, freedom of speech is a key tenet of any successful business. I have driven a policy of restricting pay rises to around inflation. I do this? just to annoy and demotivate you all? no. what I do is to link variable pay to the financial outturn of the business. that has increased in the last 3 years and put an extra £600,000 in recently. the reason I restrict pay rises and push bonuses is simple. if we didn't I would have to reduce staff numbers. If the pay rises (and let's be honest in pay rises over the last three years) are sensible which they are in shape. total cash reward for you has never been higher and is based on your performance. You are among the best paid staff in the business. I have been driven by what you have done and the approach we have taken. please stop the moaning and lets focus on beating the competition next year.

costs. The latter achieved through a combination of slashing staff numbers where many roles remained unfilled, massive reductions in support staff and, as we now know, withholding a large proportion of the negotiated and publicly declared Pay Pot.

A further reorganisation was announced earlier this year involving yet more staff reductions.

No doubt the declining staff numbers helps explain why so many Business Banking Staff have been reporting excessive work pressures leading to large amounts of unpaid overtime, as they struggle to deliver excellent performance with less and less support.

**It appears that what has really happened is that money allocated for salary increases has been used instead to report a greater decrease in operating costs (down 2%) and improve the cost-income ratio (by 5%).**

**So if in 'good years' staff are treated so appallingly through being expected to tolerate salary increases that are lower than paid to colleagues working in Retail - and endure large staff reductions - what should we expect if there is a 'bad year'?**

***"total cash reward for you has never been higher and as our profits grow so will the pot"***

business, but this whinging is getting me down. I have myself did not receive a pay rise for 3 years. why would have done is link the total package and particularly has allowed me to more than double the bonus pot is link between pay and performance is vital and the have a bad year and I have paid you too much then I ets not forget there have been many millions of pounds ey are at an average 3.1% then we will be in better d as our profits grow so will the pot. then it depends on e industry and the share price gains we have seen have have adopted to linking bonus to outcomes. so, team npetition so I can pay you bigger bonuses again this

Where is the evidence? After all, Commercial's top management is developing a penchant for not being quite straight with staff!

We would expect as a bare minimum that Total Pay should increase year on year to keep track with inflation, but is it increasing at above the rate of inflation to genuinely reflect the excellent performance of the business unit?

Of course, the Pay Pot will not grow as much as it should if pay increases are withheld each year; since it is based on the total salaries paid in the business unit which have, as we now know, been unjustifiably held down.

***"you are among the best paid staff in the industry"***

We do not accept that this is the case. What evidence can Senior Management provide to substantiate this claim?

***"the share price gains we have seen have been driven by what you have done"***

**At last we agree.** But if top management accepts this is the case, why is it paying its "winners like losers".

After all, by restricting pay increases to the rate of inflation rather than the Pay Pot - or for that matter failing to match increases in average earnings elsewhere in the UK - Commercial Staff salaries are falling backwards relative to people working both inside and outside of the Lloyds TSB Group.

***"why would I do this? just to annoy and demotivate you all?"***

Well this may not be the intended effect of the short-sighted and unjustified policy of "restricting pay rises to around inflation". But it is certainly the consequence.

And criticising staff for 'whinging' and 'moaning' - particularly when staff have been deceived - certainly will not improve the situation.

The facts are that despite some of the improvements in overall business strategy over recent years, which has been recognised by many staff, this good work will be undone if staff feel quite justifiably that they have been 'conned' out of receiving pay increases to which they know they were entitled.

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.co.uk

# No Consultation

Despite Mr Postings confessing that Commercial has adopted its own Pay Policy distinct from the rest of the Bank - **"restricting pay rises to around inflation"** - at no stage has this change of policy been discussed or agreed with LTU.

This is wholly unacceptable ... particularly when LTU represents the vast majority of Commercial staff, including over 85% of those working in the branch network.

**By admitting that Commercial has adopted a different Pay Policy to the rest of the Lloyds TSB Group - and by not discussing the change in policy with LTU - Senior Management has contravened the Recognition and Procedural Agreement that exists between the Bank and LTU. The Union naturally views this breach of agreement very seriously indeed.**

## Management's Account

In explaining over recent days the approach adopted to pay increases within Commercial / Business Banking, the business unit's Senior Management has argued that:

- **Business / Commercial Banking is not alone in withholding allocation of its pay pot to staff.** If this is true - and until now LTU had been unaware of this - the deception is even greater than we had first thought: routinely publishing a far greater pay pot than has been used.
- **By withholding salary increases to staff, the business unit has been able to fund higher bonuses.** However, not only is this contrary to Bank policy, but the increase in bonuses could be easily accommodated by the doubling of profits that should be funding these additional payments. So again, this argument doesn't stand up to serious examination. *Bonuses should be financed through profit growth and not subsidised*

*through taking money from salaries.*

## History Repeating Itself

Unfortunately, this isn't the first time that Commercial / Business Banking has concealed facts from LTU and Staff on key issues affecting pay.

The last time LTU had seriously to criticise Senior Management's conduct was two years ago when LTU uncovered the fact that the business unit had surreptitiously withdrawn grade drivers - whereby Business Managers could raise their grades by expanding their portfolio - without bothering to tell the Union or its Staff. Staff were working under the false impression that they could improve their grade.

## Only One Solution

With Commercial's Top Management having misled staff over pay, disregarded implementation of the Bank's own Pay Policy and the Union-Bank Procedural Agreement so flagrantly, there can be only one satisfactory remedy to this situation.

**This is that an additional 1.6% Pay Pot should be allocated to fund additional Pay Rises for Commercial Staff in order to return the Commercial / Business Banking business unit to operating within the Pay Policy it is supposed to have been applying over the last 3 years.**

There can be no justification for Top Management refusing to do so. Nevertheless, should this be the case, the first step will be for LTU to seek conciliation from ACAS.

## Have Your Say

LTU welcomes feedback from members across Commercial concerning the management of Pay and any other issues of concern to Commercial Staff. **You can let us know what you think by either returning by post or faxing the enclosed form or email [Steve.Tatlow@ltu.co.uk](mailto:Steve.Tatlow@ltu.co.uk).**

**STEVE TATLOW**  
Assistant General Secretary

To join call 01234 262868... today!