

Lloyds TSB - HBOS

The Next Steps

The Union's job in this takeover is simple: it is to protect members and ensure that they are not hurt in the rush to achieve savings faster than is justifiable. In short, the Bank has to balance a natural desire to squeeze the maximum out of the takeover, if it goes ahead, with a proper recognition of the interests and rights of staff. Without that the Union would be bound to oppose the takeover.

In our forthcoming discussions we'll be telling the Bank that:

- **It is inevitable that tens of thousands of jobs will be lost as overlaps and duplication of functions are removed. The key priority will be to ensure that any job reductions are achieved via voluntary means and not through compulsory redundancies.**
- **In order to ensure that job reductions are achieved by voluntary means the Bank should guarantee the continuation of the 1997 voluntary severance/voluntary early retirement terms for a period of 5 years.**

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- **There should be an immediate freeze of all programmes that involve the transferring of yet more jobs to India.**
- **The Bank should commence plans to return to the UK all those jobs that have already been transferred to India over the last few years.**
- **The Pension Scheme Trustees should negotiate significant up front pension contributions from the Bank before any takeover is allowed to go ahead.**

Members with any questions or comments on this Newsletter can contact the Bedford Office on 01234 262868 or email us 24hours@ltu.co.uk.

Blank Cheque For Scotland?

Lloyds TSB has already stated openly that the new combined Superbank will be able to save significantly in excess of £1 billion a year by 2011 and aims to reduce its cost income ratio to below 40%. The Bank has said that the savings will be created by removing overlaps and duplication of activities and the sale of non-core activities. Sir Victor Blank has said that the suggestion of 40,000 jobs being lost is ludicrous but he hasn't said what the likely job reductions are and independent analysts are saying that between 20,000 - 40,000 jobs will go as a result of the takeover. Branches, back offices, service centres and data centres will either be merged or closed. Head Office functions such as HR, Risk, Finance and Legal will be consolidated and rationalised. Helen Weir, Director UKRB, has said that the biggest savings are in property and many of those who stay, whether they be in Lloyds TSB or HBOS, are likely to end up somewhere else.

Since the announcement of the takeover the Bank has

sought to play down the insertion on page one of the formal takeover document of a clause which says "the management focus is to keep jobs in Scotland". The same clause was repeated in a briefing sent to members of the Scottish Parliament earlier this week.

LTU has issued its own briefing paper which was handed personally to Alistair Darling, Chancellor of the Exchequer, at the recent Labour Party Conference, saying that rather than the Government appearing to concentrate only on safeguarding jobs in Scotland it should instead direct its attention to retaining jobs across the whole of the UK: whether in Scotland, South Wales, Halifax, Bristol, Brighton, Manchester, London or for that matter any other part of the UK where there are large concentrations of staff with jobs at risk in the newly merged Bank.

Severance Terms To Continue

One of the reasons why LTSB has managed to reduce its staff numbers without the need to make large scale compulsory redundancies is the fact that its severance terms have always been amongst the best in the industry. Members will recall that following the introduction of age discrimination legislation the Bank introduced new terms which we opposed. Following further negotiations, it was agreed that staff who left the Bank through redundancy between 1st January 2007 to the 31st December 2008 would have the choice of either taking the 1997 Redundancy terms and for staff aged over 50 drawing an immediate non-

actuarially reduced pension or taking the 2006 Redundancy Terms with an actuarially reduced pension. From the 1st January 2009 to 6th April 2010 staff who take their pension early will have the actuarial reduction limited to 3% per annum rather than 4.75%.

It is expected that tens of thousands of jobs will be lost because of the takeover and in those circumstances it is only right that LTSB should continue the choice of severance terms for staff leaving through redundancy for 5 years.

Pension Deficits - The Key Issue

The takeover of HBOS by LTSB is not a done deal and the pension fund Trustees of LTSB will have a key role in determining whether the deal goes ahead and, if it does, on what terms. The Trustees of the LTSB Pension Funds now have more power than ever before when it comes to takeovers and they must use that power to get the best possible deal for pension scheme members.

The LTSB pension schemes are in the middle of their three-yearly actuarial valuations which should, if the correct actuarial assumptions are used, show us the true extent of the pension scheme deficits. And make no mistake about it pension fund deficits are important. Lehman Brothers in Britain collapsed with a £100 million black hole in its fund. That deficit means that many former staff may not have their retirement promises met in full. There could be just 50p or less for every £1 of pension promised.

One of the key factors the Trustees will take into

account when determining the size of the deficits is the Bank's covenant or financial strength. Before the takeover that covenant was strong but that is not the case now. The capital structure of the new Bank involves the transferring of HBOS's risks, which include an overreliance on wholesale markets, a treasury portfolio with assets in US subprime mortgages, a riskier mortgage book and a large exposure to commercial property, to LTSB. The combined group will have a lower Tier 1 capital ratio and its triple A credit rating could be affected by the takeover. The new Superbank is a much riskier proposition for the Trustees and that should be reflected in the value attached to the Bank's covenant (its guarantees to the pension schemes).

Given the inherent risks of the new Superbank the Trustees may need to exact significant, up front contributions from the Bank before any takeover is allowed to go ahead.

An Opportunity To Save Jobs

The Government has played a critical role in clearing the way for Lloyds TSB's takeover of HBOS to proceed. Whilst the reasons for allowing the takeover to go ahead were understandable, since without such intervention HBOS could have collapsed, we believe that one of the conditions of the Governments support should be to put pressure on the LTSB Board to freeze all programmes that involve the transferring of yet more jobs to India. Furthermore, the Board of LTSB should also commit itself to return to the UK jobs that have been transferred to India already. **When the UK economic outlook is uncertain,**

with unemployment set to increase, it is simply unacceptable that a national champion like LTSB - HBOS, created by the Government, should be allowed to ditch jobs in the UK in order to create cheaper jobs overseas.

Members with any question on this Newsletter can email me direct at Mark.Brown@ltu.co.uk

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