

Unnecessary Brinkmanship

Members will be aware from recent press reports that the Trustees of the HBOS pension scheme are considering asking the Court of Session to delay the HBOS acquisition until Lloyds TSB makes 'appropriate arrangements' to guarantee that the new, merged Lloyds Banking Group will stand by the HBOS pensions scheme.

The acquisition can only go ahead if it is sanctioned by the Court of Session, which is due to sit on the 12th January. Not surprisingly, the HBOS Trustees are seeking to exploit the fact that the Bank is structuring the deal through a scheme of arrangement rather than a conventional takeover in order to secure additional guarantees for the pension fund. The HBOS Trustees will not be the only interested party making representations to the Court but they will be the most important and could delay the takeover. Day 1 of the merger, which is set for the 19th January, could be stopped indefinitely. **That is in no one's interests, least of all the staff and pensioners of HBOS.**

We understand the concerns of the HBOS Trustees and their desire to be seen to fulfill their fiduciary obligations but the alternatives for HBOS staff and pensioners to the LTSB merger were unthinkable at the time. HBOS could have been taken over by a foreign bank and its pension scheme would have been less secure than it is under the LTSB deal. Alternatively, the Government could have stepped in but the business would have been destroyed before that happened and they wouldn't have been able to afford to plug the deficit or offer any guarantees about future funding. The HBOS Pension Fund could have ended up in the Government run Pension Protection Fund and that would have been a disaster for all HBOS staff.

The reports have also confirmed that the HBOS Trustees have still not, 3 months after the merger was first announced, carried out a full actuarial valuation to determine the size of the pension scheme deficit. It is normal during a merger or takeover for pension funds to carry out actuarial valuations, particularly now when Trustees have more power, in order to determine the size of any pension deficit. This should then be the basis on which they negotiate with potential new owners rather than engaging in esoteric arguments about organisational structures, which they are bound to lose. **Despite our disagreements on pension scheme issues, and there have been many over the years, the Bank has always remained committed to funding the two schemes and we have no reason to believe that the HBOS pension scheme will be treated any differently.**

Lloyds TSB Valuation

We have urged LTU sponsored Member Nominated Trustees, who are currently in the middle of their three-yearly actuarial valuation, to concentrate on ensuring they are using the correct actuarial assumptions in order to show the true extent of the pension scheme deficits and not to get involved in any legal manoeuvres involving the merger. Once they have agreed the size of the deficits then they can sit down with the Bank and agree Recovery Plans which might, but may not depending on the size of the deficits, require the payment of significant up front contributions by the Bank. Members with any questions on this Newsletter can contact the Union's Bedford Office on 01234 262868.

Mark V Brown
Assistant General Secretary



Membership Application

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