

Government Restricts Bonuses & Free Shares

Today the Bank has announced that, in order to participate in the Government's Asset Protection Scheme, which will see billions of mainly HBOS 'toxic' assets being insured, it has been forced to implement fundamental and far reaching changes to existing bonus arrangements.

The changes are as follows:

- **Staff and Managers, including those in the Branch Network, who are on quarterly sales bonus arrangements will not be affected by the changes announced today. Those schemes will carry on in the normal way and bonus payments will continue to be paid quarterly.**
- **All staff earning less than £39k and in Bands 5-8 who are entitled to bonuses of less than £2k will be allowed to take cash in the normal way. If bonuses are worth more than £2k then staff will get the first £2k in cash and the rest will be deferred until June 2010 and paid in three equal annual instalments in "subordinated debt" (rather like an IOU). Precisely how this will work remains to be clarified.**
- **All staff earning £39k or more or in Bands 4 and above will have all their bonuses deferred until June 2010 and then paid in "subordinated debt" in three equal annual instalments.**
- **The Bank will have to put in place a meaningful claw-back mechanism for**

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deferred bonuses. Essentially staff will forfeit some or all of their bonuses if future losses arise in relation to their 2008 activities.

- **UKFI is insisting that the approach to bonus payments outlined above should operate not just for 2008/9 but also for 2009/10 and beyond.**
- **There should be no free shares allocation for 2009 (based on 2008). This was not something that was expected as a result of our meeting with UKFI and we will be trying to establish how and why shares came to be brought into this agreement.**
- **During LTU's discussions with UKFI we became aware that there might be an attempt to limit some Lloyds TSB pay increases. So far there has been no proposal to do so and we're seeking confirmation from the Bank on that issue.**

LTU's Case On Bonuses & Pay

When we met UKFI, LTU argued that there should be no restrictions on either the bonuses or pay increases due to Lloyds TSB staff.

We told UKFI that:

- **Lloyds TSB staff should not be blamed or penalised for mistakes made within HBOS before both banks merged.**

In contrast, Lloyds TSB announced a profit of £807 million for last year (£2.4 billion on a continuing Lloyds TSB business basis) which meant that thousands of Lloyds TSB staff were going to be penalised for events that happened in a bank they did not work for, when their own bank made a substantial profit. We asked UKFI what fairness it saw in that?

- **There could be no excuse whatsoever for applying retrospective penalties. If Managers and Staff met their Balanced Scorecard objectives for 2008, bonuses should not be withdrawn two months into 2009.**

Retrospective penalties (like retrospective changes in taxation) can never be equitable. Throughout 2008 Lloyds TSB staff expected to be paid in line with performance. They finished the year having performed and now, by introducing retrospective rules, UKFI plan to penalise them presumably as some sort of sacrificial lambs to satisfy the media and opportunist politicians.

- **Equally, it would be wrong to punish,**

by withholding or deferring bonuses, any Managers or Staff who had no influence on any strategic decisions that might have led to significant past losses from imprudent lending. To the best of our knowledge that should mean that all Lloyds TSB staff, from Eric Daniels downwards, should be entitled to receive their full bonuses and pay for 2008.

- **'Managerial' staff should not be singled out for discriminatory treatment.**

Those in line for bonuses have performed as they were asked to do and should get the bonuses they earned. For the future, Managers will be key people in driving the business forward and what has been announced will do nothing to motivate them. The UKFI approach lacks any logic and could only have been based on arbitrary judgements about peoples' jobs and pay, by unaccountable politicians looking for soundbites and easy scapegoats.

- Although there will be those like UKFI who say that It is taxpayers' money that's rescued the Banks and that in those circumstances the Banks should not be paying bonuses, **the fact is that if Lloyds TSB had not come to the rescue of HBOS, at the behest of the Government, then the whole unnationalised banking sector might well have collapsed. Moreover, if Lloyds TSB had not agreed to the takeover of HBOS, it would probably not have required financial support and there would then have been no need for the Bank to participate in the Government's Asset Protection Scheme.**

Political Footballs

One thing that has been clear over recent weeks is the willingness - indeed enthusiasm - of some senior MP's to treat ordinary, hardworking Bank staff as political footballs.

- **David Cameron (Leader, Conservative Party)** has been at the forefront of calls to limit bonuses to a maximum of £2,000. He encouraged UKFI to force Banks to break

peoples' contracts of employment and let employees see if they could take legal cases and win in court. So far Mr Cameron has got his wish but this 'might is right' approach is utterly unacceptable behaviour from a party leader.

- **Vincent Cable (Treasury Spokesman, Liberal Democrats)** has repeatedly called for bank staff to receive no pay increases or bonuses: "These are

banks which failed. The taxpayer is paying. The remaining staff are lucky to be in work having been rescued by the government. The answer should be 'no bonuses'. Mr Cable's simplistic analysis of the situation should make us all glad that he is not running the Treasury.

- **John Prescott (Ex Deputy Prime Minister, Labour)** in promoting his online petition calling for the scrapping of bonuses has insisted that *"We must ... force these greedy and indifferent banks ... to give up their bonuses"*. We're as speechless as we wish he had been!
- **Brendan Barber (General Secretary, TUC)** has also piped up, saying *"Why do bankers need bonuses to do their jobs properly when the rest of us are happy to put in a good day's work for a straight day's pay?"*. It is because of this sort of crass attitude that LTU (unlike Unite) has chosen not to affiliate to the TUC, which clearly still believes that only industrial or manual workers are 'real' workers. When a trade unionist attacks workers rights we know the world has taken leave of its senses.

It is disgraceful that these and other senior politicians are acting in this way. None of it is anything more than naked populism, with politicians bidding to be more beastly to Banks and Bank staff than their opponents.

By successfully blurring the distinction between so-called guilty 'Fat Cats' and innocent Managers and Staff - and between failed banks and those that have behaved responsibly like Lloyds TSB - politicians have created an environment in which the Government in the form of the UKFI has been pressurised into acting: in this case forcing the Bank to break its agreements with the Union on bonuses.

Over the coming weeks, LTU will be taking the argument back to politicians and particularly targeting all MP's who have chosen to treat ordinary Lloyds Staff as political footballs, forcing them to justify themselves.

LTU Campaign: The Beginning, Not The End

The conduct of politicians in forcing the Bank to restrict bonuses and possibly pay increases for many managers and staff is completely unacceptable and LTU will be doing everything it possibly can to reverse this situation.

In that, the Union will need the active support of as many Lloyds TSB staff as possible and in particular the backing of managers and those staff who work in Corporate Banking.

Last week, we sent all 40,000 of our members letters for them to be sent to their MP's explaining the bonus situation in more detail and urging MP's

to support those of their constituents who are Lloyds Staff.

Over the coming weeks, we will be taking this lobbying further by urging MP's to press UKFI to reverse its draconian and unjustified restrictions on the payment of bonuses and pay increases.

MP's will need to see personal reasons for them to act properly on Bank pay and we intend to provide them with those reasons.

IAN PARTRIDGE
General Secretary