

Bank Reduces Bonuses Again

The Bank has written to pay recommenders regarding the bonus awards for 2008 and told them the awards they thought they were giving to their staff have now been substantially reduced again. This comes on top of the 50% reduction in bonuses that was communicated a few months ago. Since then the Bank has announced that it made profits of £807 million in 2008, £2.2 billion on a continuing LTSB business basis, and to reduce bonuses now when staff have delivered so much is completely unacceptable.

Surely the occupants of the top floor in Gresham Street can't be so out of touch with the feelings of their staff that they believe this bad news will be seen as anything other than further kick in the teeth.

Given the Bank's agreement with UKFI and the impact that has on the payment of bonuses it is worth reiterating the changes imposed last week again:

- **Staff and Managers, including those in the Branch Network, who are on quarterly sales bonus arrangements will not be affected by the changes announced last week. Those schemes will carry on in the normal way and bonus payments will continue to be paid quarterly.**
- **All other staff earning up to £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**

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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".

- **All staff earning more than £39k 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 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.**

Another Kick In The Teeth But Not From UKFI

In its glossy brochure to staff produced for Day 1 of the new, merged organisation the Bank said **"We want to attract, retain and develop the best talent in the industry.....We want to be, and be seen to be, a great place to work"**.

It's now Day 56 and the wheels seem to be falling off the Lloyds Banking Group train. The share price has nose-dived over the last few months, the LTSB dividend policy is going the way of the Dodo and to cap it all the Bank's remuneration policy is now being driven, in all but name, by Civil Servants at UKFI.

In the note to recommenders announcing the bonus awards the Bank says:

"Subsequent to your initial recommendations being made, all bonus recommendations were reviewed on a group wide basis and your initial recommendations may have been adjusted to reflect this further review."

What the Bank's really saying is: you've been too generous with bonuses, we can't trust you to look at them again and so we are doing it for you. It

doesn't explain on what basis bonuses are being reduced or by how much they have been reduced across the Group or who was responsible for reducing them.

Recommenders, who will have made the original awards knowing the team they manage and their strengths and weaknesses, are being asked to tell staff their bonus awards but are specifically being told "Do not express personal views - only share factual information".

So at a time when staff are reeling from the fact that in many cases their bonuses are being deferred the Bank, not as a result of any pressure from UKFI, has decided to give its hard pressed staff a further kicking by reducing even further the bonuses put forward by recommenders in January. These were based on a bonus pot that had already been reduced by 50%.

Disappearing Free Shares

In the intranet message to staff posted at the beginning of the week the Bank said that there would be no free share allocation for 2009 based on 2008. Free shares are worth 3% of salary to staff and their withdrawal further reduces their total reward package.

When we met representatives from UKFI the issue of free shares was neither not on the agenda nor mentioned. LTU has written to UKFI to ask for a further meeting to establish, amongst other things, how and why shares came to be included in the agreement? Who raised the issue first, the Bank or UKFI?

Staff in Royal Bank of Scotland, which made losses

of £26 billion in 2008, still managed to give its staff a payment equivalent to 10% of its profit sharing which is to be added to their existing monthly award package. Bradford and Bingley and Northern Rock, both of which were nationalised last year and have made significant losses are giving their staff 8% and 10% profit sharing payments respectively.

The Bank has always prided itself on paying staff in the Upper Quartile of its chosen comparator group in terms of their total reward package which includes bonuses and free shares. If these elements of the total reward package are being reduced significantly or withdrawn altogether then they will need to be replaced with increases in basic salaries for all staff.

Loans For Bonuses

The Royal Bank of Scotland has done it so why not the Lloyds Banking Group?

LTU will be hoping to meet the Bank over the next few days to propose that a formal 'Loans For Bonuses' scheme is introduced across the Group for those staff whose bonuses, either whole or in part, are being deferred. The option, should staff wish to take advantage of it, will be to take interest free loans, equivalent to the value of any deferred bonuses, with the loans being paid back in three equal annual instalments in June 2010, June 2011 and June 2012. Preferential loans would be taxed as a benefit in kind but that should be paid by the Bank and added to the original bonus.

The feedback we have had from members across the Group for such a scheme has been very positive and the Bank should move to introduce it quickly.

The use of interest free loans is not a long term solution, given that bonuses are going to continue to be deferred until such time as the Lloyds Banking Group extricates itself from the clutches of UKFI and the Government, but it helps deal with the immediate financial issue for those members of staff who, based on their performance, expected to receive bonuses this year but who are now being told that they're being deferred and paid out over the next three years.

LTU Steps Up Campaign

UKFI must feel the political heat and only then will it be prepared to renegotiate the remuneration terms of the Group's participation in the Asset Protection Scheme. We will be meeting UKFI again shortly and we'll be making it clear that this issue is still very much alive and that we will be doing everything to make sure bonuses are paid.

Later this week LTU will be launching an addition to our website which will give members an even greater role in our campaign to get all bonuses reinstated.

It will also show which MP's support, and more importantly those who don't support, our campaign for ordinary, innocent members of staff to be treated fairly.

The conduct of opportunist politicians in forcing the Bank to restrict bonuses and possibly pay

increases for many managers and staff is completely unacceptable and they need to be held accountable for their actions. Those who have supported our campaign, like David Blunkett and Sir Stuart Bell, deserve the support of our members whilst those who haven't offered any support at all, like Dr Liam Fox, Shadow Secretary of State for Defence, should be asked to account for their indifference to the financial plight of some of their constituents.

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.

Mark V Brown
Assistant General Secretary