

9TH JUNE 2009

ALL MEMBERS IN LBG MORTGAGES

# C&G Branch Network To Close ... & Major Mortgage Restructure

**C**&G has today announced that its entire Branch Network will close on 6th November 2009, together with a number of further substantial changes to the Group's Mortgages operations.

**All 928 C&G Branch Network Staff have been issued with letters notifying them that their jobs are at risk of redundancy and that though the Company will take steps to find staff alternative roles, compulsory redundancies will be inevitable.**

**This announcement has accompanied news that on 1st July the Lloyds Banking Group will be cutting its core intermediary mortgage brands from eight to four; scrapping the Bank of Scotland and Intelligent Finance intermediary brands. This will result in 159 further jobs being made redundant.**

**The Bank has also said it plans to operate from fewer mortgage operations sites. Whilst it has said that Barnwood is guaranteed a role in the future - though with no certainty how many staff it will employ - it has announced the closure of a HBOS site at West Kent with the loss of 105 jobs. There must now be serious concerns about the future of Scunthorpe Mortgage Unit.**

**With thousands of UK-based staff to lose their jobs, it is unacceptable that C&G continues to insist on keeping over 635 jobs in its offshored operation in India.** LTU will be lobbying MP's and building pressure in the media to force the Bank to move jobs back to the UK in order to secure the jobs of many hundreds of existing staff in the UK - such as in Barnwood, Scunthorpe and HBOS's many sites - whose jobs are at very real risk of redundancy.

## SUMMARY

**Entire C&G Branch Network To Close - 928 Job Losses**

**End of the Intelligent Finance and BoS Intermediary Mortgage Brands**

**Intermediary Sales Consolidation**

**Site Closures Commence - Real Concerns Over Future Of Scunthorpe**

**Bank Refusing To Return Jobs From India To Save UK Jobs**

## LTU's Professional Support

Members will recall that these developments closely match what LTU predicted in a Newsletter published last November, which Unite condemned at the time as scaremongering. It is this sort of complacency on the part of Unite that has left C&G Staff so vulnerable.

C&G Senior Management has met with LTU regularly over recent weeks to discuss its plans in full and to consider LTU's proposals for ensuring staff are treated fairly. These discussions will be continuing throughout the closure programme.

**In this Newsletter we provide members with detailed advice and guidance on their rights and entitlements.**

For professional advice, LTU members can call our Advice Team at any time on 01234 262868.

# Key Developments Explained

The Bank's announcement will result in a complete overhaul of its Mortgages business and will lead to well over a thousand redundancies.

## C&G Branch Network Closure

All 164 C&G Branches will close on 6th November 2009 with the loss of 928 roles.

The Bank has said that despite costing it around £47m a year to maintain the C&G Branch Network, it only accounts for around 6% of C&G's overall mortgage lending and RMA's have been selling an average of just 1.4 mortgages per week.

All but 19 C&G branches are within 400 meters of a LTSB branch and there is an overlap with HBOS branches in around 150 locations. It is possible that a small number of C&G branches will be retained and converted into LTSB or HBOS sites.

All staff will be presented with two options:

- **Leave the Bank with a Redundancy Payment.** The Bank has agreed with LTU that all Branch Network staff who want to leave with a Redundancy Payment will be able to do so, rather than being forced to accept alternative roles elsewhere in the Bank.
- **Seek redeployment into another part of the Lloyds Banking Group.** LTU will be taking all possible steps to ensure that staff who would prefer to work elsewhere in the Lloyds Banking Group - perhaps in a local LTSB or HBOS branch - will be able to do so, rather than be forced into compulsory redundancy.

Given the unsatisfactory manner by which the Branch Network Review was conducted at the end of 2007, when 31 C&G branches closed, LTU will be monitoring this Closure Programme very closely to ensure that staff are treated correctly and fairly.

## Intermediary Brand Rationalisation & Closures

The Bank has said it will streamline the number of mortgage brands it operates, from the current 8 to just 4 core brands in the future.

The remaining core brands are detailed in the table below:

Brand	Segment
Cheltenham & Gloucester	Prime & Buy To Let
Halifax	Prime
Birmingham Midshires	Buy To Let
Scottish Widows Bank	Offset

As a consequence of this 'brand rationalisation', **the following intermediary mortgage brands will close to new business on 1st July 2009:**

- **Bank of Scotland Mortgages**
- **Intelligent Finance Intermediary Mortgages**

**The current Intermediary Sales Teams will be combined into just three teams, with C&G staff moving from branch-based to field-based roles. This new structure will take effect from 1st September 2009.**

**The Bank has said that 339 staff are directly affected - and therefore at risk of redundancy - as a direct result of these changes, with a total loss of 159 roles across all intermediary sales brands, support and event teams.**

How this reorganisation affects each brand directly is shown in the table below:

Brand	Staff Required	
	Current	Future
Cheltenham & Gloucester	73	34
Scottish Widows	25	
C&G Sales Support Team	43	19
Halifax	51	55
Birmingham Midshires Solutions	35	37
BoS Mortgages / Intelligent Finance	87	0
HBOS National Accounts / New Build	18	16
HBOS Business Support	7	2
Total Impacted Staff	339	163

The Bank has said that whilst it will seek redeployment opportunities for staff, it believes that some staff will inevitably be made redundant.

LTU welcomes the Bank's agreement not to force any staff to redeploy into alternative roles.

**However, LTU has also told the Bank that it will not accept any compulsory redundancies taking place - where staff genuinely do want to remain working for the Bank - before all possible redeployment options have been exhausted, including those detailed on Pages 5 and 6 of this Newsletter.**

## Wave 4 Reorganisation

The Bank is also removing overlapping activities and duplication that has arisen within the Mortgages business management structure and Head Office functions as a consequence of combining the LTSB and HBOS banks.

This is being achieved on a phased basis - known as 'Waves' - as it makes reductions in staff at each level of the management structure. As one level of management is appointed (i.e. Wave 4), it in turn selects the appointment of staff to its own reporting lines (Wave 5).

This latest stage of rationalisation - Wave 4 - is intended to slash the number of staff at this level of the management structure from 66 down to just 38 roles.

Within the Selection Pool of affected staff in Wave 4, 41 are currently based in HBOS operations, 28 in C&G at Barnwood and 7 in LTSB.

The table below shows the impact of these job losses on individual grades:

Wave 4 Bands	Roles Affected		Job Losses
	Current	Future	
LTSB B1 / HBOS L7	5	0	-5
LTSB B2 / HBOS L6	54	34	-20
LTSB B3 / HBOS L5	7	4	-3
Net Totals	66	38	-28

The Bank has said that in circumstances where there is clearly only one suitable candidate for a role, the

individual concerned may be allocated automatically to the role in the new structure.

There are a small number of Band 2 roles that are not part of this reorganisation (because they are at Wave 5+). It is possible that unsuccessful Band 2 candidates at Wave 4 will be considered as part of the Selection Pool for these roles.

Likewise, there are around 140 Band 3 roles (HBOS Level 5) at Wave 5+ for which unsuccessful staff at Wave 4 will be considered.

Once the Mortgages business has completed Wave 4, it expects to move swiftly to Wave 5 of the reorganisation where hundreds more staff can expect their jobs to be at risk of redundancy.

## Personal Assistants

The Bank intends to cut the number of PA's operating with its Mortgages business from 43 to just 28 roles.

Affected staff will be able to preference for these roles within geographical selection pools.

In Barnwood, the number of PA roles will increase from 8 to 12. However, these roles will be at Band 6 and it is possible that despite the increase in numbers, some existing Band 7 staff may be consider unable to take on these roles and therefore face the prospect of redundancy.

Those staff who are unsuccessful in securing one of the few remaining PA roles - but who wish to remain working for the Bank - will first be considered for remaining PA roles in the wider Retail/Group, and then for other suitable roles in the Mortgages operation.

## Early Collections

The Bank has said that it intends to transfer Early Collections work for C&G customers in arrears - which is currently carried out by staff working for Group Operations in Hove - to Gloucester.

This work is due to be transferred to Barnwood on a phased basis over a period of three months.

## Site Consolidation & Closures

The Bank has said that it intends to reduce the number of locations in the UK from which it manages its Mortgages operations.

The Mortgages businesses currently employ over 5,700 FTE operational staff spread over 26 sites in the UK.

**The Bank has said it wants to achieve substantial cost savings by consolidating its operations in a smaller number of locations. In other words, a number of Mortgage Operations site closures!**

The impact upon Mortgage Operations sites will be as follows:

- **Barnwood, Gloucester.** The Bank has offered a public assurance that, for the foreseeable future, it intends to continue operating Barnwood as one of its Head Office locations.

However, there have been no guarantees that the same number of staff will be required by the Bank in Barnwood. It is quite conceivable that the Bank could eventually choose to close, say, Barnwood 2 and Barnwood 3 and run a smaller-scale operation from the main Barnwood 1 building.

Equally, operations will clearly be switched between the Bank's various Mortgage operations and Head Office sites, meaning that the type of work and staff remaining in Barnwood will be considerably different to what it is now.

- **Mortgage Unit, Scunthorpe.** The Union has very serious concerns about the long-term future of the Scunthorpe Mortgage Centre.

**Whilst the Bank has guaranteed Barnwood's long-term future, many staff will consider its refusal to make the same commitment to Scunthorpe as effectively confirming the likelihood of this operation's future closure. Over 300 staff would be affected by site closure.**

**Given that the Bank is looking to achieve £1.5bn cost savings a year by the end of 2011, LTU believes it will not be long before decisions are taken on this.**

*The focus of this Newsletter is concerned with the impact of these changes on staff employed*

*on C&G Contracts - as opposed to Scunthorpe, where staff remain employed on Lloyds TSB Contracts. However, members can obtain copies of detailed Newsletters explaining job security rights and redundancy terms for staff on Lloyds TSB employment contracts by contacting LTU on 01234 262868.*

- **City Park, Hove.** In the previous section, we explained that 'Early Collections' work currently carried out for C&G by Group Operations staff in Hove would be transferred to Barnwood. This will affect over 30 staff, who will be deployed onto other LTSB collections activities.
- **West Kent Centre (HBOS site).** Last week, the Bank announced the closure of this customer service centre at Medway, with the loss of 210 jobs.

The Bank has said that once consolidation of its Mortgages sites is complete, each site will have a 'multi-brand and multi-discipline capability' enabling it to switch activities between sites to meet operational demands.

## Industrialisation Of Activities

The Bank has said that for those sites that it does keep open, there will be a focus upon an industrialisation of operations, with extensive automation of activities.

This will inevitably lead to further waves of job reductions over the Mortgages business between now and the end of 2011, with the jobs of many of the staff that remain affected to a far greater degree by what is known as 'lean manufacturing'.

# Offshoring Betrayal Of Existing Operations Staff

It is wholly unacceptable that despite thousands of Mortgage Operations jobs in the UK being at risk of redundancy - both now and over the next two years - the Bank is insisting upon retaining almost 700 jobs in India.

**These are jobs that had previously belonged to staff working at C&G's operations at Tachbrook Park (Leamington Spa) and Segensworth (Fareham), before C&G Management decided to ditch existing employees and replace them with lower-paid staff in India.**

## LTU Demands Repatriation Before Redundancies

**LTU has insisted that before any Mortgage Operations roles are made redundant - whether they be in Barnwood, Scunthorpe or for that matter any HBOS site - work should be transferred back to the UK from India.**

The Bank's responsibility should be to mitigate the prospects of redundancies amongst its own employees, through transferring work from third parties to its existing staff.

**LTU is demanding that no further jobs must be transferred to India and that those that are already there must be returned to the UK.**

## Political & Media Pressure

**LTU will be vigorously opposing any redundancies amongst Mortgages Staff in the UK whilst C&G work remains in India.**

This will involve stepping up the Union's long running campaign - which previously succeeded in forcing the closure of LTSB's call centre in Mumbai - through extensive lobbying of MP's and ensuring through the media that customers and the public are aware of the Bank's Offshoring Strategy.

**LTU is confident of widespread public and political support for our campaign to save UK jobs. After all, many people will question why the taxpayer has spent billions of pounds propping up the Lloyds Banking Group and will now have to bear the addition cost of unemployment benefit and social security costs as C&G makes its existing workforce redundant whilst retaining jobs overseas.**

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# C&G Network: Avoiding Compulsory Redundancies

Obviously LTU's most pressing priority is to ensure that the C&G Branch Network staff - all of whose jobs will disappear in November - are treated fairly and in accordance with their legal and contractual employment rights.

In pursuing this objective, LTU will have two key priorities:

- **Ensuring that the Bank takes all possible steps to avoid making C&G Branch Staff compulsorily redundant.**

LTU will be doing all it can to avoid staff being made compulsorily redundant until all other possibilities have been exhausted. Measures must include seeking volunteers for redundancy - both in the areas affected and elsewhere to creating 'bumping opportunities' - and removal of contractor and agency roles. LTU will be using all its membership strength and experience to ensure, in particular, that where C&G Branch Staff are seeking redeployment, opportunities are created in the Lloyds TSB and HBOS branch networks for them to transfer into.

- **Avoiding 'Forced Redeployment'.**

An issue for many staff that is almost as emotive as redundancy, concerns circumstances where staff are forced to redeploy into alternative roles that they may not wish to accept (perhaps preferring Voluntary Severance) or consider unsuitable.

This was certainly the case during the C&G Branch Network Review eighteen months ago, when LTU threatened legal action on behalf of a Group Branch Manager who had been told she must accept a Branch Manager role, resulting in a substantial financial settlement.

**LTU is pleased to report that the Bank has agreed to not force any C&G Branch Network Staff to accept alternative employment; whether elsewhere in C&G or in other parts of the Bank. Quite simply, any staff who are willing to leave with a Redundancy Payment will be allowed to do so without any difficulty.**

## **Avoiding Compulsory Redundancies**

Though LTU appreciates that for some time now morale has been so bad in C&G that many staff will be happy to leave with a redundancy payment - and many others would not entertain the prospect of working in a LTSB or HBOS branch - the fact remains that a number (we estimate as many as a third) of staff will prefer redeployment elsewhere in the Lloyds Banking Group as an alternative to redundancy.

**For these C&G Staff, LTU will be doing all it possibly can to prevent the Bank from making them compulsorily redundant.**

During our Consultation Meetings with C&G Senior Management, LTU has already secured commitments that the Bank will support fully the redeployment of staff into alternative roles where this is the case.

In particular, the measures that LTU will be insisting that the Bank adopts to avoid making staff compulsorily redundant will - in areas where C&G staff are struggling to find alternative roles - include what is known as 'bumping'. This must allow:

- **Terminating the contracts of agency staff and temporary staff in local LTSB and HBOS branches and offices, in order to provide vacancies for C&G staff to transfer into.**
- **Targeting offers of Voluntary Severance to permanent staff working in nearby LTSB and HBOS branches and offices. This will allow those staff who are interested in leaving the Group with a full Severance Payment to do so, whilst also creating vacancies for C&G staff to transfer into.**

Because LTU membership is extremely high in many parts of the Lloyds TSB Branch Network - as much as 90% in many areas - this will enable the Union to drive this process if we become concerned that the Bank is dragging its feet.

## **Overcoming Obstacles To Redeployment**

One of LTU's many concerns about C&G Branch Closures and the ability to redeploy staff into alternative roles, is that many C&G Staff will have been stigmatised in the eyes of Managers in other parts of the Bank because of long-term under-investment in C&G and the misuse of blanket Coaching Plans and Performance Improvement Plans.

We know of many instances where all staff in a C&G Branch or Group of branches have been unjustifiably treated this way, rather than having a realistic assessment of their personal performance.

This risks giving the overwhelming impression that C&G Staff are poor performers, when in reality staff have been the victims of an uncompromising, unprofessional and unjust management style.

**LTU has therefore insisted that little weight should be given to the performance ratings of C&G Staff since these are often a very poor indication of individual capability and performance.**

**The Union has also said that LTSB and HBOS Branch Managers should be obliged to take on C&G Staff seeking alternative roles, irrespective of their possible prejudices about the abilities of C&G staff that might be informed by a misunderstanding of the pressures C&G Staff have had to work under.**

# Calculating Your Redundancy Pay Entitlement

Whether staff choose to leave the Bank through Voluntary Severance or are eventually forced out by Compulsory Redundancy, the Redundancy Terms they receive will be exactly the same irrespective of the circumstances.

The terms that apply to staff on C&G contracts of employment are detailed below. *Any staff covered instead to the Lloyds TSB Job Security Policy and Severance Terms should telephone LTU's Advice Team on 01234 262868 for a copy of a Newsletter specifically for their needs.*

## Your Relevant Earnings

The first stage of calculating entitlement involves working out an individual's weekly earnings upon which Redundancy Payments would be based.

Weekly Pay would include:

- **Basic Salary**
- **For Sales Staff, Personal Sales Related Pay averaged over the last 12 months.**
- **London Allowance**
- **Car Allowance Limit**
- **Shift Allowance**
- **Contractual Overtime (regular, rostered, predetermined - including On Call Payments).**

<b><u>REDUNDANCY TERMS</u></b>
<b>2 weeks' pay for every year of service under age 22</b>
<b>4 weeks' pay for every year of service aged 22 to 40</b>
<b>6 weeks' pay for every year of service aged 41 and over</b>

The total pay figure is then divided by 52 to arrive at a weekly figure.

## Redundancy Terms

Under the C&G Redundancy Terms, the formula for calculating Severance Pay is detailed in the table:

Only the last 20 years service is used in the calculation and payment is capped at a maximum of 104 weeks' pay.

The first £30,000 of any Redundancy Payment is paid tax-free.

Severance payments apply to all staff aged between 16 and 65.

Payment is based on each individual's length of service in the Company, up to the date of termination and are rounded up to whole years based on age at last birthday. For example, service of 12 years 1 month at date of leaving would be rounded up to next whole year - 13 years.

Staff aged 50 or over taking severance therefore have the choice of:

- taking their full severance payment and leaving their pension to be drawn at age 60;
- drawing immediate pensions and sacrificing some or all of their severance payment to mitigate the actuarial reduction (if part or all of a severance payment is waived in this way there is no tax liability)

- taking their full severance payment and drawing an immediate actuarially reduced pension.

An actuarial reduction involves

reducing the amount of pension that you would receive for each year you would be claiming a pension before your normal retirement age.

## Help Calculating Your Severance Terms & Pension Entitlement

Members needing help calculating their Redundancy Terms or Pension Entitlement should contact LTU's Advice Team on 01234 262868.

# Job Security Appeals

**C&G staff who believe they have been treated unfairly - either by being pressurised into accepting unsuitable alternative jobs or being told they are being made compulsorily redundant - can pursue Job Security Appeals with full representation from LTU's team of experienced Officials.**

This procedure means that staff can have their cases presented by professional LTU Representatives in front of Panels consisting of an equal number of senior Union and Bank Officials. LTU always guarantees that our members are represented by experienced full time officials ... not lay representatives or secondees from the Company!

It is up to the Job Security Appeals Panel - after hearing submissions from the member of staff's

representative and the local management team - to decide whether staff have been treated fairly:

- **Where staff are resisting redundancy, the Panel can decide that the period of job search be extended and/or that other measures be taken to provide 'bumping' opportunities for surplus staff to move into.**
- **Where it believes a role doesn't match up to the definition of 'suitable alternative employment', the Appeals Panel can insist that a member of staff be offered either a different role or given an opportunity to take the Severance Terms instead.**

Members concerned about their job security should telephone LTU's Advice Team on 01234 262868.

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## Support You Can Count On

Unfortunately, over a number of years Unite and its predecessor, the Staff Association, neglected the needs and concerns of C&G Staff.

As a consequence, the Job Security Policy for C&G Staff is a lot weaker than that for other Lloyds TSB staff and staff have been less well protected than would otherwise be the case.

**But now, LTU is by far the largest trade union representing C&G Staff, with the majority of staff working in the C&G Branch Network being members.**

**The Union has met C&G Senior Management regularly to discuss its plans for C&G and the closure of the C&G Branch Network and will be able to represent staff at Job Security Appeals and on any other matters of concern to them.**

**LTU will also be able to use its strength and influence in the Lloyds TSB branch network to assist those C&G Staff seeking redeployment.**

LTU also guarantees to provide our C&G members with the highest quality support, including:

- **Detailed Newsletters explaining staff rights and entitlements**, rather than short briefings merely mimicking what the Company has to say.
- **Regular visits by experienced LTU Officials, who are experienced at assisting members with job security concerns and who have contacts in the LTSB Branch Network.**
- **Genuine around-the-clock advice provided by our Advice Team. Members can telephone 01234 262868 to speak to LTU's Advice Team at any time; whether during the day, night or weekend.**
- **Full representation and support.**
- **A free service preparing high quality CV's to help members find alternative jobs inside or outside of the Lloyds Banking Group.**

**STEVE TATLOW**  
Assistant General Secretary