

11th April 2011

ALL MEMBERS NEWSLETTER

Sell Off 'Substantially Enhanced'

The Independent Banking Commission report issued today made a number of recommendations in its interim report which will be the subject of further discussions before the Commission issues its final report in September. The main recommendations of the report are as follows:

- Banks should have 10% of their capital set aside to cover potential losses, that is 3% higher than set out in new European Regulations.
- UK banks' retail operations should be "ring fenced" from their investment banking arms.
- Introduce improved means of allowing customers to switch accounts in order to stimulate greater competition.

Lloyds To Sell More Branches?

In respect of the proposed divestiture of 600 Lloyds Banking Group branches, following the agreement with the European Commission, the Commission says that if it remained a stand alone business then it would face three major problems: the normal challenges facing all new entrants in a mature market like financial services; a fragile balance sheet and weak funding, and it will be too small an operation to be an effective competitor in the UK financial services market.

In its most telling paragraph, the Commission says its "current view is that the planned LBG divestiture is insufficient and that it will have a limited effect on competition unless it is substantially enhanced". The Commission goes on to say that the Government should seek agreement with Lloyds to enhance the divestiture substantially.

Some commentators have suggested that Lloyds was warned about this recommendation and that's why it brought forward the sale of the 600 branches. Whether that is true or not the reality is that this is one recommendation which the Chancellor is going to have to make a decision on quickly. If Lloyds refuses to

play ball then the whole issue could be the subject of a market investigation by the competition authorities and the issue will be kicked into the long grass for a few years. But if the Government comes down in favour of the sale of more branches, opposition from Lloyds seems unlikely given the Government's 41% shareholding.

More Uncertainty For Staff

'Substantially' is used on a number of occasions throughout the report and it is clear, assuming the Coalition Government accepts the proposals which seems very likely, that the Bank will be required to sell hundreds' more branches. **If that happens, then thousands more staff are going to find themselves working for a different organisation simply because of their geographical locations at a particular point in time in future.**

It is important for staff to understand fully, and we'll follow this up in further Newsletters, the extent and limitations that TUPE legislation provides to staff who are transferred to another organisation. Firstly, you don't get a choice. If you are in a branch and that branch is being sold then you go with it. Secondly, TUPE merely takes a 'snap shot' of your terms and conditions and only protects those that are contractual but again only in the short term.

In previous outsourcings the Bank has identified those elements of the package which it believes are non-contractual and that includes flexible benefits, bonus and other incentive payments, share plans and most importantly of all pension scheme arrangements.

We are along way off the selling of these branches and the movement of staff to a new organisation but these important issues can't be allowed to drift indefinitely because all staff need certainty about their futures.

Members with any questions on this Newsletter can contact the Union's Advice Team on 01234 262868.

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General Secretary

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