

# Treasury Committee

## Oral evidence: Service Disruption at TSB, HC 1009

Wednesday 2 May 2018

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Members present: Nicky Morgan (Chair); Rushanara Ali; Mr Simon Clarke; Charlie Elphicke; Stewart Hosie; John Mann.

Questions 1 - 156

### Witnesses

I: Paul Pester, Chief Executive, TSB; Richard Meddings, Chairman, TSB; Miguel Montes, Chief Operating Officer, Sabadell Group.



## Examination of Witnesses

Witnesses: Paul Pester, Richard Meddings and Miguel Montes.

Q1 **Chair:** Good afternoon. Thank you for being here this afternoon. We have a series of questions for you about recent events with TSB's IT. People are watching online, so, in order to start the session, could I ask you all to introduce yourselves, please?

**Richard Meddings:** My name is Richard Meddings. I am the chairman of TSB.

**Paul Pester:** My name is Paul Pester and I am CEO of TSB Bank.

**Miguel Montes:** My name is Miguel Montes. I am the chief operating officer in Banco Sabadell and I am serving as a non-executive director on the TSB board.

Q2 **Chair:** Thank you all for being here. TSB's chief information officer, Carlos Abarca, said in December 2017 that after the IT migration TSB will be "a digital business that just happens to be a bank". Digital banking is still down for many of your customers. Even those that log in are finding they cannot make payments. At the moment, TSB is neither a digital business nor a bank. It is a broken bank, is it not, Mr Pester?

**Paul Pester:** Let me start by apologising to our customers. Clearly, we have caused some serious disruption to our customers over the last 10 days, and for that we are truly sorry. You will be aware that the source of these issues was a migration that we did over the weekend of 21 April and 22 April. Over that weekend, we extracted all of our customer records for 5.2 million customers. That was 1.3 billion records. We transformed those records and loaded them on to a new platform.

I am certainly not downplaying anything about the issues that our customers have faced since then, but it is important to understand that that migration of data, which is often very, very challenging, went smoothly. The bank balanced to the penny. The £31 billion of customer balances have come across from Lloyds on to the new platform and the balances are balanced to the penny. The underlying engine of the bank—the processing of the transactions—is running relatively smoothly. The issue that we are seeing, and for which I apologise again to our customers, is that the platform's ability to support sufficient customers accessing our website and our mobile app simultaneously was an issue for us on Monday, Tuesday and Wednesday of last week.

It is of very little consolation but, as of now, we are at a point where our mobile app log-in success rates are as one would expect. Interestingly, not every customer is always successful in logging into any app for any bank. We would expect approximately 95% of applicants to be successful when they log in to an app, and that is exactly what we are seeing. If you look at our website, similarly we would expect approximately 95% of customers that attempt to log in to be successful. We are seeing that.



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We did not see those figures soon after the migration. That led to an unacceptable level of performance to our customers.

**Q3 Chair:** It was unacceptable and it remains so, because it is not quite right to say that it is confined to the mobile app. This is an email that I received this morning at 7.14, "TSB is the only bank I bank with. I have not been able to access my account for two weeks now. I have fluctuating balances, no idea which direct debits and standing orders have been paid, and my data has been compromised. I have spent 14 hours with the telephone banking but they are unable to give any information apart from what their system says is my balance. I have had several promises of call-backs, which have not been received. I have been unable to use my debit card for purchases as, for a week, my balance was zero. This meant I was unable to withdraw cash".

This person wants to ask, "Please do ask Mr Pester to empty his pockets and see how much cash he carries and how he would manage without being able to get cash". That is a good question. Without wishing to be personal, how long do you think the average TSB customer can survive and handle life in the 21st century without access to their bank account or without knowing what has been paid and what has not been paid?"

**Paul Pester:** I do not recognise, unfortunately, the situation you are describing. As I said, in the early days from migration around 50% of the customers that attempted to log in could do so. As to why it was 50%, this is equivalent to having a shop that is too small for the number of customers we have. We had to allow one customer in and one customer out.

**Q4 Chair:** The issue is not just online. It has been in the branches too. Are you saying that this person is not telling the truth?

**Paul Pester:** It is important to understand that customers can access the system. There is no group of customers who have been locked out of the bank for two weeks. If this customer is having the problems they are having, then I suggest they contact us directly.

**Q5 Chair:** You cannot get more direct than telephone banking. This person spent 14 hours on telephone banking. Let us try another one. Here is somebody who sent me another email, on Monday at 10.30: "My wife and I are on a very tight timeline to buy a house as we had agreed to exchange contracts within 28 days. Unfortunately, after nearly two weeks, we will not be able to submit our formal mortgage application as the lender—thankfully not TSB—has requested three months of bank statements. We are still unable to download our bank statements and, despite visits to our branch, telephone calls and emails to TSB we have no idea when we will be able to get hold of our personal bank statements". To add insult to injury the screen information suggests that they have been consistently overdrawn when they have not been overdrawn. It says in bold, "We are now faced with the possibility we could miss out on buying the house our family needs". Is it not



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extraordinarily complacent to sit there and say that this migration went smoothly, when there are people who have been unable to know whether their wages have been paid in or to pay bills. There are landlords who are waiting for rental payments to be made; they are unable to meet demands. People are not in control of their bank accounts, and TSB is not in control of the online banking service, nor in the branches, is it?

**Paul Pester:** In each of the cases you are describing, if they reach out to us we can deal with them. I cannot solve these cases here and now for you. I would like to, of course. TSB has built a reputation by focusing on its customers. When TSB launched in September 2013, we set out to bring a very customer-focused service to our banking. Our 8,700 partners have done an exceptional job in delivering a different sort of banking to the UK. It is why before this situation TSB was Britain's most recommended high street bank.

Q6 **Chair:** It will not be now.

**Paul Pester:** That is not something I celebrate. It is something I am deeply sad about.

Q7 **Chair:** Of course it is not something you celebrate. People want to know that these experiences are not being dismissed as situations you do not recognise. People are not sitting here making up emails to send to me at 7.00 in the morning. They really are not. People are watching today's session and they will be looking for senior management at the bank to acknowledge the problems that exist and to say what is going to happen to solve them. We will come on to that.

**Paul Pester:** Can I explain some of the things that we are doing to reach to our customers?

Q8 **Chair:** We are going to cover that. I want to ask Mr Montes a question. On Monday 23 April, Sabadell announced in a press release that it had "successfully completed the TSB technology migration". By any standards this was not a successful migration, was it?

**Miguel Montes:** You are right. I wish to thank the Committee for allowing me to appear to reassure the Committee that Sabadell is very conscious of the difficulties that TSB customers are suffering because of these technological variations. This statement by the bank was made in good faith and based on what we believed at that point. All communications were made in good faith. It was based in the evidence that we have about the migration of data and the initial opening of the channels. From that point to where we are now, this was totally unfortunate.

Q9 **Chair:** Mr Meddings, as chairman perhaps you will explain to us in the course of this exactly how the board is dealing with these issues and has launched an investigation. Are you aware that one of the FCA's principles for business is that firms must treat customers fairly?

**Richard Meddings:** Absolutely I am.



**Q10 Chair:** I am going to raise with you now a case that a fellow Member of Parliament has raised with me. I want you to tell me whether you think this customer has been treated fairly or not. Mrs C, who lives in the East Midlands, was seriously ill and wanted her daughter's name to be added to her account. The manager of the TSB branch in Eastwood appears to have been obstructive. During the process, the account was frozen for reasons that are not clear. The MP contacted TSB last week.

On Wednesday TSB informed the MP that Mrs C's account was unfrozen but that she would have to provide photo ID and a signature in order to add her daughter to the account. The MP raised this matter at Business Questions. She was then contacted by the TSB PR team, who said there were new concerns of fraudulent use. By this time Mrs C had been admitted to hospital. She could obviously not go to the branch to produce all of these documents and to be interviewed by the manager. The manager refused to go to the hospital in Nottingham. An offer had been made to get Mrs C in an ambulance to be driven to the branch so she could produce these documents.

On Friday, TSB confirmed to the MP that they would—contrary to the manager's position—go to the hospital to resolve the situation. In a subsequent conversation, TSB raised concerns about new attempted fraud on the account and the meeting appears to have been cancelled. At around 3.00 p.m. last Friday, TSB agreed again to see Mrs C in hospital. Nobody attended the meeting in the hospital on Friday. Mrs C died on Saturday. How is that treating customers fairly?

**Richard Meddings:** Before I answer that, it is very important that I apologise on behalf of myself, the whole Board, and TSB, for the severe disruption that our customers are suffering here. We are working as hard as we can to get these issues fixed.

With regards to the specific case, I do not know that case. I am not denying it either. If it plays out exactly as it is read out then there are serious things that we must look. You also commented that on a number of occasions TSB staff intervened or attempted to assist. They were also trying to do this against a need to protect the customer and the customer's accounts. If it plays out like you say then, please, give us the information and the details and we will deal with that. To the extent that it has been inappropriate then clearly we will look to make redress and compensate. We do understand our obligations to treat customers fairly.

**Q11 Chair:** I am going to hand over to colleagues in a moment but I want to go back to Mr Pester. There is a tweet that has come in from one of your customers, "Watching the TSB chief exec tell the Parliamentary Committee that customers can log on as normal to their accounts. Simultaneously trying and failing to log into my account". Would it be better, Mr Pester, if you just admitted the scale of the problems, the challenge that TSB is facing and said how customers are going to get this resolved and when? That is something we will be exploring in terms of the evidence. Would you like to revisit your original statement to this



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Committee, where you started, when you said that things went smoothly?

**Paul Pester:** When I said things went smoothly, as you know, I was referring to the transfer of data. When I talked about customers logging in to the website and the app, all I can give you is the data that I have. I have data showing me that of the customers that attempt to log in by looking at the pages that are served to the customers, the log-in page, the successful log-in page, and the error page, comparing the ratios, the percentage that are logging in successfully is 95%. 5% of customers are not logging in. That is often the case for any bank.

If this customer is having problems logging in, please contact us. There is a form on the website if they do not want to go to a branch or telephone us. There is a form on the website, which is very simple and straightforward to fill in. There could be a number of reasons why customers are having issues.

**Chair:** I am told that one of our Committee staff is also trying to log in and he cannot log in either.

Q12 **Charlie Elphicke:** Mr Pester, on Wednesday 25 April, you said, "All I can tell customers is what my IT provider tells me", before you took control. What you are saying to the Committee today seems to have gone back to, "All I can tell you is what I am told from the sheets of data", rather than the real world where your customers are saying, "We cannot log in". Which is it?

**Paul Pester:** All I can tell you are the statistics of tens of thousands of customers who log in to the website and use it successfully every day. There will always be customers who are not able to log in. I know you will have many examples of individual customers who have been unsuccessful in logging in. By the rule of percentages, if there are tens of thousands of customers who are successful and that represent 95%, you will always find customers that are not. Please, those customers, contact us. We are successfully logging in 95% of customers. I do not know what else I can say to you.

Q13 **Charlie Elphicke:** Can I just understand this? Do you understand the SMR regime and does the bank have a risk register? Yes or no.

**Paul Pester:** Absolutely; of course it does.

Q14 **Charlie Elphicke:** Good. I just wanted a yes or no.

**Paul Pester:** Yes.

Q15 **Charlie Elphicke:** Good. You are the SMF1 of this bank, yes?

**Paul Pester:** Yes.

Q16 **Charlie Elphicke:** Mr Abarca is the SMF18 and responsible for IT and IT migration—yes or no?



**Paul Pester:** I am sorry but I am missing the question.

Q17 **Charlie Elphicke:** Is Mr Abarca responsible for IT and IT migration as SMF18?

**Paul Pester:** No. The board is responsible for taking a decision on when to migrate. Mr Abarca is one of my executive team. Mr Abarca, together with all of my executive team, was required to go through a whole series of steps, which we can discuss further if you would like, but Mr Abarca is not solely responsible for migration.

Q18 **Charlie Elphicke:** What process did you and the board, as an independent board, follow to satisfy yourselves that the Sabadell system was in the best interests of TSB's customers?

**Paul Pester:** Our chairman, as the chairman of the independent board, will want to answer that. The process that we have been running through for two years and nine months has been a very extensive process of designing our requirements for the new platform. This is a platform that was built to TSB's requirements. We define those requirements through all of our executive teams, working through 150 different definition groupings, to define the requirements of the platform. The platform was built to TSB's requirements. Individual testing of those components was completed by TSB, with well over 45,000 individual test scripts being run. There were a whole series of volume tests. We extracted data from our Lloyds platform. We ran large quantities of those data through our new platform, not only to understand how the customer behaviour happened but to see the data flow into the finance systems, to see the data flow into regulatory—

Q19 **Charlie Elphicke:** That is not the question I am asking. How did you satisfy yourselves that the Sabadell system was in the best interests of your customers?

**Paul Pester:** It was designed to our requirements and, therefore, by definition, there is no platform to purchase.

Q20 **Charlie Elphicke:** Your friends say that this is all Sabadell's fault. Which SMF responsibility do they, or Mr Montes here, have in relation to your bank?

**Paul Pester:** Mr Montes is a non-executive director of our bank.

Q21 **Charlie Elphicke:** Which SMF responsibility does he have?

**Paul Pester:** The SMF responsibility consistent with an independent director.

Q22 **Charlie Elphicke:** Does Sabadell have SMF responsibility for your bank, or do you and your board?

**Paul Pester:** I do, and our board does. Our board operates as a ring-fenced bank. We have an independent board and an independent chairman.



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Q23 **Charlie Elphicke:** Are you in full control of your company—yes or no?

**Paul Pester:** Yes.

Q24 **Charlie Elphicke:** Who does the buck stop with?

**Paul Pester:** The buck stops with me.

Q25 **Charlie Elphicke:** You take full responsibility for what has happened.

**Paul Pester:** Of course I do. Let me be crystal clear: I take absolute responsibility for what has happened to TSB customers. I take absolute responsibility for the inconvenience that we have caused customers. I apologise profusely.

Q26 **Charlie Elphicke:** Your friends, who have been saying that it is all Sabadell's fault, are wrong, and the buck stops with you, and it is down to you.

**Paul Pester:** I do not know what friends you are referring to.

**Charlie Elphicke:** In the news report.

**Paul Pester:** I am the chief executive of the bank. As the chief executive of the bank I absolutely take full responsibility for what has happened with TSB through this migration.

Q27 **Charlie Elphicke:** Let me put it to you that the primary responsibility of a bank is to enable customers to put money in and to take money out, as well as keep customers' money safe and secure. Do you feel that you have failed in that basic duty?

**Paul Pester:** We have failed in delivering the level of service we need to deliver to our customers. TSB was built to bring local banking to Britain. TSB was built to reconnect banks to local communities. I am proud of the work our 8,700 partners have done in the four years since launch. I am proud of taking the inspiration from Henry Duncan, from Dumfries, and building on that belief, to create the sort of bank we believe should be working with and fuelling local communities and local economies. I am deeply sad that the work we have done over the last five years in building TSB as a different sort of bank has been so damaged over the last 10 days. We will come back as TSB. TSB will come back and bring the competition it needs to bring to UK banking.

Q28 **Charlie Elphicke:** I hope you are right. I hope the bank does come back, but let me ask you: why should your customers ever trust you again?

**Paul Pester:** The customers have trusted TSB in bringing a different sort of banking.

Q29 **Charlie Elphicke:** No, not TSB; why should they trust you again, Mr Pester? Given that you have taken responsibility for this and given the events that you have accepted are your responsibility, why should your customers trust you again?





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**Paul Pester:** They should trust me because I will ensure that we bring TSB out of the problems that we are in. I have given my cast iron guarantee to customers that they will not be out of pocket as a consequence of these problems. Our customers know that I have their interests at heart as we try to build a different sort of bank for the UK.

Q30 **Charlie Elphicke:** Let me turn to the risk register. IT and systems are normally in the top 10 in any risk register of any financial institution. Before this, where were these matters? Which slots in the risk register were they?

**Paul Pester:** Migration has been our number one corporate risk since we commenced the programme and, therefore, a review of our risk register and the linked risks of migration have been an absolutely key consideration as we designed the system, as we built the system and as we moved our data on to the system. It has been right at the top of our risk register.

Q31 **Charlie Elphicke:** IT has been number one on your risk register for how long?

**Paul Pester:** To clarify your definition of IT, it is not IT specifically. The building of a new platform, the moving of our data from the Lloyds platform to the new platform and then the operation of that new platform have been at the top of our risk concerns all the way through this process.

Q32 **Charlie Elphicke:** Let me finish on this. To be clear, it is the top designated risk in your bank and at the top of your risk register, and it has been a complete failure, has it not?

**Paul Pester:** I know it is really easy for you to disagree with me. I do not argue it has been a complete failure. It is important to realise that we have caused concerns for many of our customers. I apologise deeply to our customers. We have received 40,000 complaints. We would normally expect to receive approximately 3,000 complaints over this period of time, over the 10 days. Those 40,000 complaints are being investigated. Those 40,000 complaints will be put right. Our customers who have been disadvantaged as a consequence of this problem will be put right, but the underlying engine of the bank is running, so standing orders, direct debits, credit cards, payments and ATMs. It is important that we move through this and start bringing TSB back to compete in the UK market.

Q33 **Chair:** I am going to bring Rushanara in, but you mentioned standing orders there. You issued a service update at 2.55 p.m. yesterday, in which you acknowledged the problem with standing orders. You said, "We know there are some issues with a small number of standing orders today. We are working hard to resolve these". Are they now resolved?

**Paul Pester:** Yes, they are. They were resolved as of yesterday afternoon. Would you like me to explain it?



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Q34 **Chair:** Are all standing orders being paid without any problems at all?

**Paul Pester:** Yes, the batch last night ran smoothly. The previous batch was on 1 May. Typically, the first day of the month is a very big day for standing orders. We had a very large batch to run. Because of system improvements that we were doing, a small percentage of the standing orders going out of TSB appeared as if they had not been paid. They had all been paid. This is standing orders out of TSB, not standing orders in. They had all been paid but the records on the customers' accounts were updated through the day. That issue that applied to a small percentage—less than 5% of standing orders—was resolved through the day yesterday.

Q35 **Chair:** Is there a possibility that people are paid twice?

**Paul Pester:** No.

Q36 **Chair:** What about standing orders into TSB? What about people who were looking to receive money into their TSB account?

**Paul Pester:** That has been running smoothly. We have a very small number—less than 1,000 customers—who have not received a particular sort of standing order. We are talking to the originators—the people that make the payments—to ask them to work with us to resend those payments. All of those customers are being contacted. That is over 10 days, with a very small proportion of standing orders that are coming in.

Debit card transactions are working. We process well over 2 million debit card transactions a day. Those are working as planned. We have 3.3 million debit card customers in the UK; those debit cards are working as expected. All of our ATMs, right across the UK, are functioning at 98% availability, which is standard for a bank. The direct debits are working. The engine of the bank is running smoothly. The issue is handling enough customers trying to log on simultaneously to the bank, particularly through our app and through our digital channels, which, as I say, we have worked very hard on fixing.

Q37 **Chair:** In terms of working smoothly, it is worth watching online. We now have two members of staff who are unable to log on to their mobile app as the session is going on.

**Paul Pester:** It is nice to know we have so many customers in the room. Thank you very much for using TSB.

Q38 **Chair:** We will ask them if they are going to renew their accounts. Are the monthly account fees for customers paid by standing order?

**Paul Pester:** Which monthly account fees?

**Chair:** TSB monthly account fees.

**Paul Pester:** We have a small group of accounts for which customers choose to pay. The majority of our current accounts are free and we have just started paying 5% interest on our current accounts. In terms



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of the payments that are made for those accounts, they will be withdrawn directly from customers' accounts.

Q39 **Chair:** I just wondered, because, as I understand it, today TSB has debited monthly account fees from customers for May. Whipping out customer account fees is not a great way to say, "Thank you for bearing with us", is it?

**Paul Pester:** We have been very clear that one of the instances of customers not being able to see their data through the early part of last week means that it is likely that customers may have used their overdraft more than they would have expected. We have waived all overdraft fees for April, for all customers, rather than trying to argue on who was and who was not affected. No customers of TSB will pay any overdraft fees or any overdraft interest for April.

Customers who choose to pay for their current account—and in return receive travel insurance benefits, car breakdown insurance and benefits and receive mobile phone insurance and benefits—have continued to receive those insurance benefits, so they have continued to be charged for those accounts, which seems to me to be reasonable.

Q40 **Chair:** When would the overdraft fees from April come out of people's accounts?

**Paul Pester:** They would have come out of their accounts in early June, on around 3 June.

**Chair:** We will see.

Q41 **Rushanara Ali:** Good afternoon. Mr Pester, can you start off by telling us how many customers TSB has and how many of them are online?

**Paul Pester:** We have about 5.2 million customers, and about 1.9 million are active users of our digital services.

Q42 **Rushanara Ali:** You said 95% of them should have had an acceptable service despite these technical issues.

**Paul Pester:** 95% of those that are currently attempting to log on will. Obviously, not all of those 1.9 million customers who are registered log on at the same time.

Q43 **Rushanara Ali:** You mentioned 40,000 complaints. What is the total number? Do you have the total number of people who tried to log on, which is the 5%? I am just trying to get some idea of the scale of this.

**Paul Pester:** Allow me to look at some data I have. Some of it is in my head but not all of it. To give you a rough idea of the number of people we would have logging in, for the mobile app—and this is the number of log-ins, not the number of customers—we would see somewhere around 700,000 to 800,000 log-ins in a day.

Q44 **Rushanara Ali:** Do you know the number of customers affected? You



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have 40,000 complaints. I wanted to understand how many the 5% amounted to, just to get a sense of the scale. Do not worry if you do not have it. You can always come back to us.

**Paul Pester:** I am very happy to write to you, but if I could explain the process we are taking to identify the detriment that has been caused to customers—

Q45 **Rushanara Ali:** Do you know the number or not?

**Paul Pester:** Today I do not know the number of customers. I know the number of attempted log-ins. As we are seeing from your colleagues today, people can log in multiple times.

Q46 **Rushanara Ali:** It could be 80,000. You have had 40,000 complaints. Could they be multiple complaints by the same customer?

**Paul Pester:** They would be individual complaints by individual customers.

Q47 **Rushanara Ali:** You have already got 40,000 complaints. You could have twice as many people affected, or more.

**Paul Pester:** Yes, but the best way for us to identify that is to proactively identify which customers have been influenced. We are doing that. We have a team that has been working since last Tuesday to identify not only those customers who may have suffered issues with payments but, more importantly, customers who attempted to log on and did not succeed.

Q48 **Rushanara Ali:** The scale of what is going on is unprecedented, would you not say? If you have already had 40,000 complaints from individual customers, are there any comparables by other banks where this sort of thing has happened?

**Paul Pester:** I am not an expert on outages by other banks. TSB is a medium-sized bank with 5 million customers, but we are a lot smaller than many of the big five. The big five banks will have many more customers.

Q49 **Rushanara Ali:** I am not aware of anything like this. I wondered if you knew, given that you are in the sector.

**Paul Pester:** I would be happy to write to you. I could explain to you instances, without wanting to mention competitors, by RBS and Ulster Bank. I could mention instances by all of the big five where they may have 20 million customers or more, and outages occur for hours or days.

Q50 **Rushanara Ali:** Why do you not come back and tell us what the 5% is in numbers.

**Paul Pester:** I would be very happy to do that.

Q51 **Rushanara Ali:** Can I ask a supplementary question to the earlier questions? You kept saying, in response to the Chair's questions, that



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people can contact you, despite her highlighting that it is 15 or 16 hours on the phone and some people are just not able to get hold of people by phone. I received an email from someone whose nearest branch was eight miles away. Some people are very far away from a branch. Are the team you mentioned going to be proactively contacting every single customer that is affected? I am assuming that you have emailed people who have emails. Has that happened?

**Paul Pester:** We are contacting customers. We have prioritised customers who we feel are suffering hardship. We have prioritised vulnerable customers. We are using our own data to identify customers who we feel may be in hardship. We are also searching Twitter and social media. We are doing that with people.

Q52 **Rushanara Ali:** Compared to what we are getting in terms of feedback, it does not seem that you are not reaching people fast enough, given the length of time that has passed already. One of the things that we would certainly like to see is that you show much more of a sense of urgency, because, frankly, the tone of the responses earlier on did feel pretty lacklustre, and there has not been a sense of urgency, even when you heard about a case of a death. It came across as pretty concerning, frankly, that when your chairman heard the news of a death that had been reported to our Chair via a colleague, and the way in which that customer and her family were treated, that was the attitude. I am going to leave you to reflect on that. It is pretty unprecedented to get that kind of reaction.

**Richard Meddings:** If my reaction was in any way inadequate as to the necessary and perfectly appropriate sympathies which I shall pay then I apologise, and I apologise to the family who have been so afflicted.

Q53 **Rushanara Ali:** Mr Montes, Sabadell thought it could make £160 million a year in savings from migrating TSB on to its own IT platform, and these savings were part of the business case for the acquisition, were they not? Could I have a brief answer, because I have quite a lot to get through?

**Miguel Montes:** This was the expectation that was made at the very beginning of the operation when we were acquiring TSB, in terms of the estimation of synergies that can be produced by making operational autonomy available for TSB, yes.

Q54 **Rushanara Ali:** In that case, the longer the IT system took to switch over, the weaker the financial case would be for the acquisition?

**Miguel Montes:** I understand. Delaying the synergies has a financial impact but it is nothing that we were looking at in the short term. When we were thinking that the operation for TSB was a good operation, it was because we saw that the bank was incomplete, and that we could help with completing the bank and making the real case for TSB available for the market. We have to take into consideration that TSB was created with a high dependency on its highest competitor possible, which is Lloyds. That was very costly, not only in terms of the cost that TSB was



paying for the services rendered by Lloyds but also by the limitation that it implies for TSB to be fully developed, serving customers.

This was what we believed: that, with our experience in integration, with the platform that we had and with the willingness to produce that result for TSB and its customers, we could do that properly.

**Q55 Rushanara Ali:** My question is a very simple one. If it took longer to change over to the new IT system, you would not have the same financial benefits so you had to speed it up. Can you rule out that you did not do that because there was a financial imperative to do so—yes or no?

**Miguel Montes:** No, definitely not.

**Rushanara Ali:** You did not do that.

**Miguel Montes:** No. Let me put it this way: our initial plan forecast that this would be done by November 2017. Back in summer 2017, TSB realised that this was not going to be possible for several reasons, and the management was requested to produce a new plan. This new plan was submitted to the board and the board was deciding that. All the decisions that the TSB board has taken in relation to migration have been backed by the Sabadell board.

**Q56 Rushanara Ali:** So the Sabadell board did not put any pressure on the chief executive or the TSB board to make sure that this happened as quickly as possible so that you did not lose money. Mr Pester, do you want to comment on that?

**Paul Pester:** Absolutely. There is no question of having financial reasons drive this migration.

**Q57 Rushanara Ali:** You did not need to do this quickly. You could have taken longer to test it out. You could have made sure all the safeguards were in place. You did not have any reason to be concerned and could have taken longer.

**Paul Pester:** We did testing. We put safeguards in place.

**Q58 Rushanara Ali:** It clearly did not work.

**Paul Pester:** Exactly. This is the fifth migration I have done of a bank. I did Alliance & Leicester on to Santander; I did Bradford & Bingley on to Santander; I did the HBOS retail business on to Lloyds TSB; and I carved TSB out of Lloyds. This is the fifth one. My team have worked with me through many of these migrations.

**Q59 Rushanara Ali:** In retrospect, given what you have now seen and what you have experienced, do you think it was it rolled out too quickly, with the benefit of hindsight?

**Paul Pester:** I know I am meant to say yes, but I honestly do not believe that. I look at the level of testing we have done.



Q60 **Rushanara Ali:** It was not rolled out quickly so why did it not work? Why did you get 40,000 complaints? What I am not clear about is that if you do not believe that it was done too quickly, why did you end up in this situation? What is it that led to this?

**Richard Meddings:** May I make an attempt to answer? First of all, let me assure you that the board of TSB was not influenced by some financial incentive that meant that we had to go early, which was at the route of your question. We always said that we would not go until we were ready. Clearly, your question is about what has gone wrong here.

The second thing I would say is that we are here very early. We are very happy to be here, but we are here while the bank is still trying to manage fixing these system challenges. With Sabadell's support, Paul rightly brought in IBM last Wednesday to give additional resources to help Sabadell, to make sure that we can identify those issues and fix them as soon as we can.

In terms of what has gone wrong, you will know that the board has commissioned an independent review, led by a law firm. That might seem odd, except that the law firm is going to look much more broadly than systems challenges. It is going to look out how the decision was made and whether the governance was good, as well as understanding what went wrong in the IT challenges. Let me also say today that, once that report is out, I am very happy to share the key findings of it. I will be sharing them, clearly, with the regulators.

To the start, though, the board of TSB decided to go when it thought it was ready, on the basis of a process that was a rigorous process but that has clearly not worked as well as it should have done.

Q61 **Rushanara Ali:** I would be very interested in knowing what the breakdown is of the 40,000 complaints, in terms of the kinds of complaints. As you do this review, we would be very interested to know that.

I have one final question to Mr Pester. Was your bonus in any way contingent on the migration happening in April?

**Richard Meddings:** It was not in April, no. There was a reward for completing migration but it is not linked to the timing.

Q62 **Chair:** I am going to bring Stewart in in a moment. Mr Pester, earlier you said that one of the critical issues has been about the capacity of the system to deal with the number of customers wanting access. Given your experience with other migrations, why was this not foreseen? Why was this a surprise?

**Paul Pester:** The independent review that Richard refers to is really trying to get to the nub of the question. We did extensive testing; we have done this testing with every migration I have run previously. This is individual testing of the units of software, putting those units together



and flushing data through them, running non-functional testing, volume testing, and migration acceptance cycles where we extract data from Lloyds and we run it through the whole platform. All of this is best practice. We ran nine migration acceptance cycles and four dress rehearsals for the weekend. We ran numerous volume tests. Through the tests and through refinement through the tests, we were given the belief that we were ready for the migration. The thing we are struggling with is finding out what happened after the migration, which clearly showed that those tests were misleading us. Those tests were not to be relied upon. As Richard said, we have to get to the bottom of that.

**Q63 Chair:** In other migrations, have you shut the entire system down for two days? Presumably most customers' behaviour would be to log on immediately at 9.00 a.m. on Monday morning.

**Paul Pester:** Absolutely. This is the way all bank migrations happen. Typically, over a weekend the customer data is extracted from one system. In our example, we extracted data from 80 different systems at Lloyds Banking Group. We had to transform the way that data is represented and then load it on to our news single system. That always happens over a weekend. The date is in my mind of when we did TSB from Lloyds. That was on 8 September and 9 September 2013; it was a weekend. I can take you back to the weekend that we did Bradford & Bingley and Alliance & Leicester. It happens over weekends.

After the weekend, we always expect higher volumes of customer enquiries. We recruited 200 additional call centre partners to work in our call centres. We have approximately 600 partners who work in our call centres. We recruited 200 additional partners, planning for an uplift in calls. That has clearly turned out to be insufficient, given the problems we have seen.

**Q64 Chair:** I want to point you towards a tweet from someone who clearly worked on your testing team. They said, "They"—TSB—"had only two statuses: pass and pass with exception. No fail. We were told we were being negative if we pointed at failures". Will the review include looking at warnings that were given internally and perhaps were not listened to?

**Paul Pester:** Of course. The way we do our testing is that it is not just one teams that tests. In a bank we tend to run what we refer to as three lines of defence. This means that a testing team does a test. That that test is reviewed and the process that is used is reviewed by a risk team, and the risk team is an independent team within the bank that reports, through me, to the risk committee. There is then an internal audit function. We run all three lines. When we run our testing, it is not just down to the current account team who are testing current accounts. It is then the risk team that assesses the testing methodology and looks at the results of testing, and then the audit team reviews the testing. Through the three lines of defence, we give ourselves confidence that things such as the ones you are describing do not occur.





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Q65 **Chair:** Finally, in terms of the data that was migrated, somebody else has asked why people who closed accounts years ago are getting balance alerts texts. Are you confident that you have the right data? Was too much data migrated, from old customers and old accounts?

**Paul Pester:** We are required to keep data on our customers for seven years. One of the reasons we moved 1.3 billion pieces of customer data, even though we only have 5.2 million customers, is because we have to move the whole data history. We have to separate ourselves from Lloyds Banking Group completely. You will remember where TSB came from, but TSB was created because Lloyds Banking Group received state aid. One of the penalties that the UK Government suffered from Europe was to have to establish a new bank. This is the final step in the establishment of that new bank, separating ourselves from Lloyds and enabling the UK Government to meet its obligations to Europe. We have to take all of our old data with us, so that we are genuinely independent from Lloyds.

**Chair:** Unfortunately, this final step may be a final step too far.

Q66 **Stewart Hosie:** Mr Pester, at the start, the Chair read out the quote from Carlos Abarca in December, saying that TSB would be a digital business that just happens to be a bank. The digital part of that now is core to the entire service, is it not? If the online banking fails, or the mobile app fails, it is as serious as a branch not being open or a telephone line not working, is it not?

**Paul Pester:** The reliance of customers on mobile apps is incredible. As a bank, our busiest time is typically between 7.30 and 8.30 in the morning; customers are either having their breakfast and checking their balances, or they are on the bus or on the tube, checking their banking. It is interesting how the shape of the branch networks have changed in the UK. We are increasingly moving branches towards transport hubs because we see customers coming on trains and we see customers coming off trains and then talking to us because they have been doing their banking on the journey to work, school or the office.

Q67 **Stewart Hosie:** We recognise it is important. You also said in the letter to the Chair that on Monday 23 April you were able to serve around 200,000 sessions via the website versus an expected level of around 450,000. Is 450,000 sessions the number you would expect to serve on a typical working day?

**Paul Pester:** On a busy Monday, yes. Obviously, sessions are not the same as customers.

Q68 **Stewart Hosie:** I understand. It was not an ordinary day, was it? It was not even an ordinary, busy Monday. It was the first day back after the system had been down for the whole weekend, so would it not have been prudent to anticipate a far higher demand for the services after a weekend down?



**Paul Pester:** Absolutely. In our planning, we had assumed very high levels of usage of our telephony centre, very high usage of our app and very high usage of our internet bank. One of the reasons why the independent review has to look at this issue is to find out why all of our testing led us to believe that the website and the app could easily cope with these volumes; clearly it turned out that they could not. I can assure you that the testing was absolutely done on the high volumes.

Q69 **Stewart Hosie:** We might come back to some of the volume testing stuff later. Once you have the review, I am sure you will want to share the reason for the problem with us. However, can you tell the Committee how many users tried and failed to log on on the first day back? How many tried and failed to log on yesterday?

**Paul Pester:** I can tell you, as of yesterday, the percentage figures for the website. Sorry, let me structure my answer better: I cannot tell you the number of customers who attempted to log on to the website and failed on Monday. What I can tell you is what I put in the letter to the Chairman: that we hosted about 220,000 sessions; we were expecting 450,000. Since then we have started putting tracking in. We were tracking the exact percentage of people who have failed to log on.

Q70 **Stewart Hosie:** That would imply a substantial problem, would it not? If you expect 450,000, given the system has been down, and you are hitting 220,000.

**Paul Pester:** The 450,000 was based on what we thought was going to be a very busy day, based on the volumes we were seeing through our app. We are able to track through the app. We just did not have the MI on the page that serves the error and therefore we were not able to test how many times that had been served. That has been fixed. By looking at the volumes we have seen on the app, it is able to make a good estimation of the numbers we would see on the website.

**Stewart Hosie:** Let me move on to some of the other things you have said. In relation, first, to standing orders, at 12.55 yesterday a constituent told me the latest disaster: standing orders paid today have all bounced and the money has been paid back into the accounts from which they were sent.

You also spoke about how the engine of the bank is running smoothly. We can roll all this up into one question. If you gave a list of the areas that you claim are working, and you said if there was a problem customers were to contact you. You said complaints were being put right.

The same constituent got in touch with me at 1.30 today: "Just tried to pay seven cheques into one business account. Had to leave my pay-in book as the cheques would not scan, or the transaction balance. I asked them to check"—with your staff, or partners—"the balance on another business account I have. They could not access the system to check". This is in-branch. "Locked out of my business banking accounts since



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4.00 p.m. on Friday 20 April. My complaint sent on Monday is so far unanswered". It is not just the online; it is not just the digital; it is the whole technology in the branches, and the complaints are not being addressed, are they?

**Paul Pester:** Of the 40,000 complaints we have received, we have acknowledged 22,290. We are in the process of acknowledging the complaints we have received. Of course, I apologise to your constituent if they have not received an acknowledgement of their complaint. We are recruiting more teams to deal with this volume of complaints and acknowledge them as quickly as we can. I would absolutely say to your constituent what I have said to all customers: no customer will be out of pocket. I know that is not a lot of help to your customer at this moment, but the complaint will have been received, it will be acknowledged and we will put it right.

Q71 **Stewart Hosie:** Let us hope that they are not simply acknowledged but that they are actioned and resolved.

**Paul Pester:** They will be actioned.

Q72 **Stewart Hosie:** However, let me move on to the final few questions I have. Overall, how would you describe the current status of TSB's IT platform? Is it, as I think you have said, basically okay with a few teething issues, or are there still any major underlying problems?

**Paul Pester:** There are issues of accessibility of the platform by our customers. If you think how customers use banks it is exactly as you have described: internet, app, telephone and branch. We have gone a long way to fixing the accessibility through the app and through the digital channels. You are highlighting some additional issues in branch. This underlying engine of the bank is working well. The standing order point that you referred to is the point I referred to the Chairman about. The payments were made. They were late being recognised on the accounts of our customers, so customers may well have thought they were not paid and, for that, again we apologise. We are contacting the customers.

Q73 **Stewart Hosie:** You say there are accessibility issues. Why have you flown in a team of engineers from IBM to conduct a full review and produce a detailed remediation plan if it is simply an accessibility issue rather than an underlying problem?

**Paul Pester:** It is an accessibility issue, but it is certainly not a simple one to fix. Clearly if it was a simple one to fix we would have fixed it. We flew a team of global experts in from IBM because we wanted to supplement the team that is already working on this. We have TSB and we have Sabis working on this. The issues would benefit from global expertise. We have IBM experts working from the UK, Europe and around the world to help us get to the bottom of this.

Q74 **Stewart Hosie:** As someone who worked in IT for decades before I came here, let me just ask a question? Did any of the IBM people you have



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brought in, however good they are, do the analysis on the system for Sabis? Did they design it? Did they specify it? Did they code it? Did they test it? Did they assess the data? Did they look at the hardware or the comms? What is it they can bring in now and bring in quickly to resolve the problems?

**Paul Pester:** To answer the second part of your question, we believe that the issues we are seeing in the system—without getting technical—are in the middleware. You may understand this better than me, but, as I understand our system, we have the underlying physical infrastructure, which are data centres here in the UK, hosted for us by IBM, we have a communications layer, we have a middleware layer and, on top of that, sits the branch, telephone channel, internet and app. It is accessing through the middleware to the underlying data. It is the middleware layer that is causing issues with throughput of data. The underlying engine of the bank is working very well. The middleware, of which IBM are global experts, is the area that we are focusing on fixing quickly, so we can get through this for our customers and we can start delivering the sort of service our customers expect.

Q75 **Stewart Hosie:** I have one final question: did you appoint IBM or was that instructed by the PRA?

**Paul Pester:** I, together with the chairman of Sabadell, appointed IBM. We, TSB, have a direct contract. I called Ian Hurst, who is the global head of banking and financial services for IBM, personally on Wednesday afternoon.

Q76 **Stewart Hosie:** There was no instruction or nudge from the PRA in order for you to do that.

**Paul Pester:** No, I run the bank.

Q77 **Chair:** Have you spoken to the PRA?

**Paul Pester:** Of course. We are always in communications with the PRA and the FCA, and they are very aware of the fact that we decided to bring IBM in.

Q78 **Chair:** Have you personally spoken to the head of PRA?

**Paul Pester:** Yes, I have spoken to Sam Woods frequently about the situation, and to Andrew Bailey at the FCA.

Q79 **John Mann:** Were there any complaints that your software tests were rushed by any of the subcontractors?

**Paul Pester:** Certainly not that I am aware of. It is something that we would be very keen to hear.

Q80 **John Mann:** You would not be aware either of that, Mr Montes?

**Miguel Montes:** I am so sorry but I did not catch that.

Q81 **John Mann:** Let me ask you about Slaughter and May. Were you



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involved in the decision to bring in Slaughter and May, Mr Montes?

**Miguel Montes:** I was involved as a member of the board in all decisions.

Q82 **John Mann:** In terms of Sabadell, was Sabadell involved in the decision to bring in Slaughter and May?

**Miguel Montes:** No, the decision was made by the TSB board.

Q83 **John Mann:** So nothing to do with Sabadell.

**Miguel Montes:** Sabadell has the reserve matter for big decisions taken, as a sole stakeholder, but it was delegating previously the right of this reserve matter to the decision of the TSB board.

Q84 **John Mann:** Are you bringing in your own solicitors?

**Miguel Montes:** No, we do not need it.

**Richard Meddings:** Can I just make a point? I realise you did not ask me—

Q85 **John Mann:** I will come on to you in a minute, Mr Meddings; do not worry. Mr Pester, how many SMEs have had problems over these last 10 days?

**Paul Pester:** In terms of the number of SMEs, I would have to write back to you with exact figures. The percentage availability of the website for logging in has been very similar to our retail website. In the early days, approximately 50% of our customers who would like to log in at any one time—

Q86 **John Mann:** Is there any reason why an SME should have a problem today?

**Paul Pester:** I am sure you are going to tell me one, but there should be no specific—

Q87 **John Mann:** I am asking you whether there is any reason why an SME—a customer of yours—should have a problem today.

**Paul Pester:** I am not aware of specific problems.

Q88 **John Mann:** Why are so many complaining at the moment, over the last hour—lots of SMEs—that they are having a full range of problems?

**Paul Pester:** If you can tell me what those problems are or they tell our teams what those problems are, then I can let you know whether those are ones that are being addressed.

Q89 **John Mann:** They are not being addressed. That is quite clear. How many people have tried to get through on the telephone but have been unable to?



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**Paul Pester:** We have been very disappointed with the abandon rate on our telephony service. The abandon rate is where customers will attempt to telephone us and then they will decide not to wait.

Q90 **John Mann:** They will decide not to wait. How long for? How long would they be on before they decided? What is the longest?

**Paul Pester:** That is a choice for every individual.

**Chair:** What is the average?

Q91 **John Mann:** What will it be? Are we talking an hour, two hours or three hours?

**Paul Pester:** It will be a distribution of customers who may have different reasons, but we are very unhappy with the number of customers who we are failing to serve on the telephone.

Q92 **Chair:** In most call centres, they will have a screen that says how long customers on average are waiting. What is that?

**Paul Pester:** That is different from the question that Mr Mann asked me. Mr Mann asked me how long they wait before they drop off the line, not how long do they wait before they are answered.

Q93 **Chair:** Yes, but you can tell how many customers are waiting and how long they are waiting. What is that number?

**Paul Pester:** We can tell how long before they answer the phone and, at the moment, it is similar to the number I gave you on Friday, which is approximately 30 minutes. It has not improved.

Q94 **John Mann:** You do not make any money out of any of those phone calls, do you?

**Paul Pester:** I do not understand your point..

Q95 **John Mann:** Do you make any money out of the phone calls?

**Paul Pester:** Of course not. TSB was one of first banks to make all of the calls to our call centres free. We started that in 2013 and lobbied for the rest of the industry to do it, and the industry followed us.

Q96 **John Mann:** There are vast numbers of people suggesting that they are waiting huge amounts of time and cannot get through. They are not included in your figures of complaints, are they?

**Paul Pester:** Just to be clear, I am not defending our telephone service. It is very poor. It is unacceptable. Customers are having to wait 30 minutes to get through to us. I would like to pay tribute to our TSB partners; when the customers come through, the calls are very good. They are taking 15 minutes, and we are not rushing our partners in dealing with those calls, because we wish to deal with the customer's issue. Typically a call to a TSB call centre lasts four minutes. Our current calls are lasting closer to 15 minutes. I have talked to the call



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centre partners and said to the call centre partners, "Serve the customers as they come through". I am not defending it.

Q97 **John Mann:** As you said there are no problems today, there should not be many calls, but there appear to be quite a lot. Mr Meddings, you are a senior figure and you chair an audit committee in HM Treasury, so you are a major well beyond this. What chance does TSB have of getting part of the RBS alternate remedies package after this fiasco?

**Richard Meddings:** We will certainly be applying and bidding. We would very much hope to obtain one of those. As I said earlier, with all the apologies, we are working to fix this as fast as we can. TSB has a real ability to bring competition to this marketplace.

Q98 **John Mann:** It is not going to look too good after this shambles, is it?

**Richard Meddings:** We will continue with our application and our intention to win one of the tranches, because this bank can bring very good competition and better services to the SME sector.

Q99 **John Mann:** For those customers who now wish to switch to one of your competitors, will there be any impediments at all, or will you assist them in having consumer choice in switching, Mr Meddings?

**Paul Pester:** We will encourage our customers to switch. There will be no barriers. We have been very vocal—in fact this is something I would love to talk to the Chairman about—about the barriers.

Q100 **John Mann:** Thank you. We have that for the record. Mr Meddings, I keep hearing how it is all sorted today, but that is not what lots of people who are your customers are saying. I keep being told it is the kind of problem every bank has. I have been on this Committee for a long time. I can only think of one shambles that compares with it and that is the Co-op Bank. They lost their chairman. They lost their chief executive. Are you going to lose either your chairman or your chief executive?

**Richard Meddings:** No. We are here and we are going to fix this.

Q101 **John Mann:** What about Mr Pester's bonus? Is he going to lose his bonus because of this?

**Paul Pester:** There is an incentive that is linked to my bonus.

**John Mann:** Sorry, I am asking Mr Meddings.

**Richard Meddings:** I would like to invite Paul to—

Q102 **John Mann:** I am asking you, Mr Meddings. You are chairman of the bank. You chair the audit committee of HM Treasury, of all government accounts. You are a major player in finance. I am asking you, as chairman of this bank, is Mr Pester going to get his bonus?

**Richard Meddings:** Let me answer. I was going to offer Paul the opportunity to say, which he has, that he will not be taking his bonus for



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this integration. He has said that he will not take that. I think that is wholly appropriate.

To the earlier question about the appointment of Slaughter and May, which you were asking to Mr Montes, that was a decision that I made with the board of TSB. Having made that decision, and having appointed Slaughter and May, I then discussed it with both Andrew Bailey and Sam Woods, who both believe it is the appropriate step to take. I have asked Slaughter and May to make sure they agree to get feedback from the regulators. This is the full scope of that review, and I assure you that we will act on its findings.

Q103 **John Mann:** Are there any others in the senior management team who are going to get a bonus this year?

**Richard Meddings:** When we come to the end of the year, there will be the normal process of looking at the bank's performance and, in terms of how bonuses are assessed generally across the bank, there are many aspects. This whole episode will clearly be an important factor in the assessment. We will be doing the assessments of bonus at the end of the year and hopefully we will have fixed this issue as soon as we can. It will be in our past, although we will still have to work, I am sure, to rebuild the confidence of some of our customers.

Q104 **John Mann:** Mr Pester is getting zero bonus this year.

**Richard Meddings:** Mr Pester has given up his integration bonus.

Q105 **John Mann:** That is not the same thing. I am asking about his bonus overall.

**Richard Meddings:** The thought process and the governance around Paul's bonus at the end of this year will be assessed at the end of this year. By then we will have had the outcome of an independent review. We will understand exactly what happened. We will act upon its findings, and this issue that we see here today will clearly be one of the factors that we will be taking into account.

Q106 **John Mann:** As I said, only the Co-op Bank shambles, from my experience on this Committee, compares to this shambles, and this one is still ongoing, according to your customers. You describe being here very early. This has been going on for a very long time for your customers. Let me just quote from one of your TSB publications, Mr Meddings: "You are preparing for the happiest day of your life. Saving money well in advance will help. Don't leave yourself struggling over it. With a plan in place, you can feel more confident that you will be able to enjoy the build-up and the day itself".

That is how you market yourself to people who are getting married. Now your customer, Laura McHale says that you cannot really compensate for the stress and anxiety that she has had over the last week. In terms of her wedding, which is coming up, you could compensate, only in financial





terms. What are you going to do, Mr Meddings, to ensure that her wedding is the happy day that your bank promised that she would get by using your services?

**Richard Meddings:** We will be making compensation clearly available to customers so they are not out of pocket. The way that will work is that it will not purely be a financial calculation; it takes into account factors such as stress and emotional distress more than inconvenience. We have taken on and appointed Deloitte. They are currently helping us devise the process by which we will build a compensation strategy for our customers. We will offer them full and proper redress. They will not be out of pocket, and the assessment will take into account, as normal in these circumstances, emotional and stress factors, as you have alluded to in that instance. I apologise to that customer, again, for any of the stress that she will be suffering in that.

Q107 **John Mann:** In terms of redress for those who are not satisfied, who will they appeal to?

**Richard Meddings:** It is for them if they wish to take on that appeal. Whether they wish to go on to a financial ombudsman would be up to them. We have not yet designed and finished the design. We appointed Deloitte on Monday. They are in working with us now. We will be looking at the first stage and the first plan for that. It is very important that we set up a framework that allows us to operationalise this for our customers in a way that they can access it properly.

Again—I have said it a couple of times—we are here very early. We are dealing with a series of severe IT challenges and this is one of the pieces of work we put into train as of Monday. Again, I brought Slaughter and May in on Monday. I spoke to them on Wednesday to start that process. There are a lot of actions being put into train now to manage the situation the bank is in.

Q108 **John Mann:** My final question is to all of you: when will this shambles be over? Mr Pester has suggested that it is over. I put it to you that it is not over in a whole range of ways. Your customers cannot access their banking services in the way they need to, disadvantaging individual householders and small businesses. When will this shambles be over, Mr Meddings?

**Richard Meddings:** Let me start, and I am sure Paul will add. We are seeing improvement. We are seeing improvement in the online. I realise there are tweets and so on, so clearly it is nowhere near perfect, but we are seeing improvement. We are seeing improvement across the other channels. As to your question, it is still not good enough.

In terms of when it will be over, as you say, I am not avoiding your question but I am sure that the wrong thing to do would be to give a date and then tell customers that, because that could be misleading. We are working as hard and as fast as we can to fix this as fast as we can, to bring customer service up to the levels that they would expect, our Board



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would expect and that TSB would want to offer to serve its customers well. I cannot give you a deadline. I can tell you we are making good progress in a number of the areas.

Q109 **John Mann:** So Mr Meddings does not know. Mr Pester, do you know when this shambles will be over.

**Paul Pester:** Clearly I have misled you if you think that I have said that this bank is fixed. I certainly did not intend to say that. I tried to explain that customers are logging in at the same success rates, through the app and the website, as they have done previously but that I was absolutely disappointed at unacceptable levels of waiting on our telephone service, and our branch service is not good enough.

Q110 **John Mann:** They do not have the information on their accounts; they cannot take cash out in some branches. There are a whole range of problems that people have today. When will the shambles be over, Mr Pester?

**Paul Pester:** As Richard says, we are working very hard on fixing this. I cannot give you a fixed date. If I give you a fixed date it is likely to be unfair to our customers. We are working hard on fixing the middleware issues we have described. There are a series of fixes that we are bringing in overnight.

Q111 **John Mann:** This week? Next week? Let us do it by weeks. Will it be this week, next week or the week after next?

**Paul Pester:** We expect to see the service improve but I cannot give you a date, and I am sorry.

Q112 **John Mann:** We do not know whether this will be solved next week or the week after next.

**Paul Pester:** I cannot give you a date. I cannot give a date to our customers because I do not want to mislead our customers.

Q113 **John Mann:** Mr Montes, you said a week ago that the migration was a success. When is the shambles going to be over?

**Miguel Montes:** I have to say the same that Richard and Paul have said already. We have seen significant progress since the beginning of last week. We are quite convinced that many fixes and root causes of this instability have already been identified. As Paul has explained, overnight our teams are working so hard to fix as soon as possible and to reduce the noise and deficit of service that we are delivering to the customers. Unfortunately we have not delivered. Let us say, from my perspective, it is not helpful that we deliver a date. What we know is that we are very close.

Q114 **John Mann:** Very close. So that is days, then.

**Miguel Montes:** No. I cannot be precise about how long this is going to take.



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**John Mann:** “Very close” means days, not weeks.

**Miguel Montes:** Hopefully, yes.

Q115 **John Mann:** My final question, Mr Montes, is about the percentage of blame, between you and them. What percentage would you accept in your organisation? Are you responsible for 50%, or more, of the blame?

**Miguel Montes:** Mr Mann, this has been a project that has combined forces from all of us. The project has been run as a single project. This is under the responsibility of TSB. TSB is an independent bank working for itself. The board of Sabadell has supported all decisions of TSB. We have brought all the help required. There is an arm’s-length relationship with one of the subsidiaries of Sabadell, which is Sabis, which has played the role of systems integrator, integrating many providers, such as IBM, DXC, Accenture, GFT and First Data. A project as complex as that cannot be seen as a responsibility that can be divided.

Q116 **John Mann:** There is no possibility of any legal action between any of the parties involved. That is not a possibility.

**Miguel Montes:** For sure, no. This is nonsense from our perspective. What we have to do is, first, solve the problem; second, know what have been the reasons for this; and then compensate adequately the customers for the pain that we have inflicted.

Q117 **John Mann:** There is no possibility of any legal action at all, Mr Meddings.

**Richard Meddings:** Nobody is thinking about that at the moment.

Q118 **John Mann:** At the moment. That is a different answer to Mr Montes.

**Richard Meddings:** We have launched an independent review. Depending on the independent review and its outcomes, as I have said, we will act on that.

Q119 **Chair:** I want to ask whether you have made an assessment about the fraud risk to customers that has arisen from what has happened. In particular, TSB tweeted that customers were receiving emails and tweets claiming to be from TSB. What is the assessment of fraud risk?

**Paul Pester:** We assess the fraud risk running up to the migration. It is always a risk at the time of migration, when bank systems are taken offline on a weekend, that fraudsters will approach customers and say, “In order to regain access, follow this link; fill in your password”. We are being very clear to our customers, as we were running up to the migration weekend and the following weekend, through a Take Five campaign, which we have been very vocal in supporting in the industry, that we will never send a customer a link asking for their password. We will never ask a customer for their PIN. If they are approached, they should not give the information. This is consistent with what we have said before migration, through migration and it is appropriate that we repeat those messages. The sad fact is that the world we live in means



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that we will see customers being approached. We will see customers being tempted to provide their information. We will do everything we can to protect them.

Q120 **Chair:** That happens, unfortunately, all the time. Has the shambles, as John Mann has called it, or the IT meltdown, which is a phrase I do not think you like me using, led to increased risks of fraud to customers? Why did you feel the need to tweet that again?

**Paul Pester:** Based on experience, we know that fraudsters will be following the news. We know that fraudsters will be following social media. We know that fraudsters will take any opportunity to attempt to defraud our customers. Therefore, we feel that it is the right thing to do to raise awareness with our customers before this happens. It is a very important act for us, and I will take this opportunity: if customers are watching, take five; it is very important that customers do not follow links. It is very important that customers do not open links. At TSB we will never ask them for their password or their PIN. Any opportunity we get to explain that, we will take.

Q121 **Chair:** Have your telephone lines, which are have specifically set up to deal with fraud queries, been hit in their response times by the general delays in your other telephone lines?

**Paul Pester:** No, they have not, and we have arranged with various suppliers to add extra people to those lines. The lines for lost debit cards, stolen debit cards and lost credit cards are working very well.

Q122 **Chair:** There were also reports online that there were long wait times to access your fraud services. Would you not agree with that?

**Paul Pester:** Obviously, if customers have individual circumstances they want to talk about they should, but I am not aware of long times to access our fraud services. We have put in place extra people to work on that phone line. It is something we take very seriously.

Q123 **Chair:** In evidence earlier on, to Mr Mann, you were talking about telephone delays. The evidence as well is that it was not just that customers were hanging up because they were fed up of waiting. In fact, their calls were cut off. Unless you have any information about that at the moment, I would be very grateful if you could write to us about the average call waits, the times at which people were giving up and putting the phone down, and also the information you have about calls being cut off and the numbers for that.

**Paul Pester:** Of course, I would be very happy to share that with you.

Q124 **Chair:** I want to turn now to branches, which is something that Stewart has already touched on. In the letter to me, you talked about, "c.60% of our branches the counter technology was functioning as expected; in c.32% the technology was functioning but with some issues and in 7% the counter technology was not functioning". What is the situation now



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with branches?

**Paul Pester:** It has not changed materially from the time that I sent you that letter.

Q125 **Chair:** How does that compare with what you would normally expect on a fully working system?

**Paul Pester:** We would expect all of our branches to be working all of the time. There may be a very small percentage of issues, but typically they all work all of the time.

Q126 **Chair:** Having 40% not functioning is unusual.

**Paul Pester:** Of course it is. It is extraordinary. The reason that that situation has not changed materially goes back to Mr Hosie's question around the technology issue for this. Fixing the middleware fixes all of the branches. This is not a matter of going branch by branch by branch to fix the problem; this is a matter of fixing the problem in the infrastructure, which fixes the problem for all branches. The team are very focused on fixing branches and on fixing telephony now that the app and the digital services are getting to a level of acceptable service. Our branch service is an absolute priority for us. Our partners in our branches are doing an exceptional job, and I take this opportunity to thank them, as well as apologising to customers for extra waits. We are working as hard as we possibly can to fix the infrastructure problem that is leading to those long service times in branches.

Q127 **Mr Clarke:** I should probably declare an interest at the outset that I was a solicitor at Slaughter and May, and I left seven and a half years ago. Turning, Mr Pester, to this issue of vulnerable customers, which is probably the most serious concern that I have about this whole fiasco—and fiasco it most assuredly is—I received an email at lunchtime from my constituent, Kerry Rundish. She told me how she sent five emails without response, she spent five hours on the phone to you at 30p per minute, she had still not received a reply and could not get through. She relies on pension credit. Her account is now in debit. She said, "I am at my wit's end, no electricity or gas, running on emergency, which is about to be cut off. Help please". To whom should my constituent address those concerns so that they can be resolved today? What would you say to customers like Kerry whose lives are being turned upside down by this?

**Paul Pester:** I repeat my apology to all customers who are affected by the service issues. We are taking a specific focus on customers who we think and can identify are either vulnerable or facing hardship. We are searching social media to find comments. We are searching our own data to identify the kinds of customers you identify. We are calling them ourselves.

**Mr Clarke:** You have not called Kerry.



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**Paul Pester:** I know, and I apologise for that. If you are able to pass me your constituent's details after this session.

**Mr Clarke:** To you directly.

**Paul Pester:** Bring them to me today. If you are here, then why would I not take it?

**Mr Clarke:** My point would be that I cannot do that for every customer of TSB and nor can the rest of us.

**Paul Pester:** If I could, I would. We have built this bank to differentiate ourselves on the service we deliver.

**Mr Clarke:** You have certainly managed that.

**Paul Pester:** Anything we can do for our customers, including for me to take this customer, of course we will do that. We are reaching out to customers who we think are vulnerable. We are using artificial intelligence, as well as our own teams, to trawl through our own data, to trawl through social media, and to proactively identify customers. This is something we have set out to do since it became clear that we were having trouble with some of our services.

Q128 **Mr Clarke:** In terms of compensation, will customers have to apply for compensation, or will it be credited to their account as of right, based on your assessment of disbenefit that they have suffered?

**Paul Pester:** It is a good question. It depends on individual customers. We are designing an approach to deal with customers who we think we have disadvantaged. A part of that may well involve some customers proactively receiving redress from TSB, but it is important that if customers feel they have been disadvantaged then they should make that known to us. There is a form on the forms part of our website, which is working very smoothly. It is not suffering any of the issues of the other part of the secure website. Please let us know. If you let us know, we can start dealing with your complaint and we will deal with your complaint.

Q129 **Mr Clarke:** Mr Meddings, you mentioned that Deloitte are in charge of this aspect of proceedings. Is that right?

**Richard Meddings:** Deloitte are advising on it rather than in charge.

Q130 **Mr Clarke:** Will there be a set of principles established? I appreciate that it is very early days. The most important thing, frankly, is that you resolve the problem and then you must move on to compensation. Will there be a set of principles at the outset that people can see, so that they can understand whether or not they will be eligible and what quantum they might hope to receive?

**Richard Meddings:** In how it is designed we will make sure that is eminently understandable by our customers as possible. It is going to make sure that no customer is out of pocket here.



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Q131 **Mr Clarke:** I am conscious that I have another constituent, Alison Wicks. By way of explanation I put out a message yesterday asking people to come forward if they had these cases, hence why I have received them. These are cases that have arisen in the last 24 hours.

**Paul Pester:** You have had two of those cases; is that right?

**Mr Clarke:** I have several. I have a list. I can share the whole list.

**Paul Pester:** If you could pass them to me, then obviously we would be very happy to deal with that.

Q132 **Mr Clarke:** The reason I cite these ones is that they seem particularly pertinent to these questions. Alison Wicks said that she had lost a non-returnable deposit on her car, that she was unable to transfer the balance to the dealer in time, and he sold the car to another party. In cases like hers, where there has been, if you like, a chain reaction as a consequence of her banking simply not being available, will those rather more complex questions be approached?

**Paul Pester:** Of course. We have a process within the bank, as do all banks, for dealing with consequential loss and, as you say, knock-on, chain reaction effects. We would be very happy to talk to your constituent about that, and I encourage this customer to either come through you to me or to come to our website and we will be very happy to discuss this.

Q133 **Mr Clarke:** Is there an industry standard when it comes to assessing consequential loss?

**Paul Pester:** It tends to be case by case. Of course, the customer has the right to go to the ombudsman's service if they believe that their case has been unsuitably treated by the bank, but we will be very happy to work with your constituents.

Q134 **Mr Clarke:** Thank you. I am also conscious that there are cases where it goes beyond a simple matter of financial loss and it goes onto the emotional strain that this has placed on people. I appreciate I am sounding like Jeremy Corbyn at PMQs, but my constituent, Dave Stuart, who runs a small business and employs eight people, contacted me to say, "My balance is showing £0 when I know there is more than that in there. My standing order has not been paid and I have people screaming at me, which is hard work due to lack of knowledge, not to mention staff also not being paid. No one has said a thing to me in regards of reply back. No one picks up the phone. Emails have not been answered. Messages and comments on Facebook are not answered. It is not acceptable for a British bank. They have put my company at risk, as well as my wellbeing due to no funds".

How will he be compensated in this case, and indeed his staff who all have, I would assume, mortgages and bills to pay, for the emotional strain that goes with not being able to access finance, which makes him look, frankly, as though he is the guilty party rather than, in actual fact, I



am afraid, the bank?

**Paul Pester:** Of course we will talk to the customers about this. The circumstances you are describing, I have to say, need to be investigated, because payments are working out of the bank; balances are accurate in the bank; standing orders are working in the bank. These circumstances that you are describing in this particular case, and every case is specific—

**Mr Clarke:** I cannot comment on the particular facts.

**Paul Pester:** The mechanism that you are describing is not recognised by me or the bank, because I could equally say to you the 3.3 million debit card customers who are using their debit card every day transact millions of debit card transactions, and these are working smoothly. Let us have a look at this case. It is not one that I recognise.

Q135 **Mr Clarke:** Thank you. There is a pattern here. We have heard a pattern this afternoon that would suggest that things cannot be as under control as you are suggesting they are.

**Paul Pester:** When you say “cannot be”—

**Mr Clarke:** It would suggest there was a mass conspiracy by members of the public to distort the true case.

**Paul Pester:** We have to look at every case. Let us understand the circumstances for your constituents. Jumping to the conclusion that, therefore, the bank is not working—

Q136 **Mr Clarke:** Jumping to the opposite conclusion would also be dangerous.

**Paul Pester:** Of course. We have to look at the circumstances, but rest assured that no customer will be out of pocket as a consequence of this issue.

Q137 **Mr Clarke:** Thank you. That is a helpful commitment. I appreciate that. What is your current assessment of the quantum of compensation TSB will be liable for at this point?

**Paul Pester:** We are so focused on fixing this for our customers, and we are so focused on making sure that we can deliver the service that TSB is renowned for, that we have not started calculating this. I did say in the press last week that the waiving of all overdraft fees and the waiving of all overdraft interest for all of our customer base for the month of April is likely to cost the bank around £10 million, but other than that estimate we have not made any estimates yet.

Q138 **Mr Clarke:** Some customers may fear for their credit records in these situations, which is a material concern for people who need access to finance. What steps will you put in place to mitigate damage to people’s credit standing or, indeed, for example, their status with their mortgage provider?





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**Paul Pester:** The issues with credit require us to essentially pursue a customer for non-payment of debt. One of the reasons we have waived all overdraft fees and waived all overdraft interest is these customers do not need to worry if they have gone into overdraft.

**Mr Clarke:** Their score will not be affected.

**Paul Pester:** If customers fear their score has been affected they should talk to us, but this should not lead to an issue with their credit score.

Q139 **Mr Clarke:** To return to my point at the outset about how they best contact you in these very fraught situations—and I know that there will be good people on your teams who are working themselves ragged trying to handle this volume of calls—what is the best advice today for how to get in touch with you?

**Paul Pester:** The best advice is to go to [tsb.co.uk](http://tsb.co.uk). In the top right hand corner of [tsb.co.uk](http://tsb.co.uk) is an apology from me with a link to a form that a customer can complete, which will then come to us. To my point earlier, we cannot and are not acknowledging all of those complaints immediately. Each one is being reviewed and is being acknowledged. That is the best way to get hold of us. Tweeting is very interesting and everyone enjoys tweeting.

**Mr Clarke:** Yes, I would agree with that.

**Paul Pester:** It is shouting into the void. By coming directly to us and filling in the form, you are talking to us and we can fix the problem for the customer much quicker.

Q140 **Mr Clarke:** If you are not acknowledging, which I can again understand, to a degree, although it would be nice if you could, how long should people leave it before worrying that their concern has not been noted? It is a very human reaction, if you spend hours on the phone and send umpteen emails, that at some point you are going to be thinking, “These guys simply cannot process this”. Two days, three days, four days, a week—what is the absolute long-stop date for a reply?

**Paul Pester:** That is a good question. Through the website there will be an automated reply, but in my description of the complaint, it is one of our team picking up the complaint, talking to the customer and coming up with a response. I do not have that timing with me, but I would be very happy to provide it to you.

**Mr Clarke:** It would be helpful if that could be sent or set out publically by you, just so that people can know that they are in the system. Certainty is the key.

**Paul Pester:** Once it is submitted, it is in the system. Because we have had not had an individual complaint-handler contact the customer, it does not mean it is not in the system. It is in the system.

Q141 **Mr Clarke:** Unless it is a truly urgent case you would strongly recommend the online route rather than the telephony route.



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**Paul Pester:** Yes.

Q142 **Chair:** Your Twitter handle, @TSB, is recommending people to call.

**Paul Pester:** They can call. It is whatever is most convenient for the customer. They can call or they can fill in form on the website. My personal recommendation is to fill in the website.

Q143 **Chair:** They are trying. What we are hearing this afternoon is the most staggering example of a chief executive who seems unwilling to realise the scale of the problem that is being faced. For an organisation that wants to be a digital bank to say that social media is “shouting into the void” does not show much inclination toward having a truly digital, online presence.

Your Twitter account is recommending that people call, but their calls are either being cut off or they are having to wait a long time. People are having difficulty getting money out of their ATMs and branches. You just admitted that 40% of the branch infrastructure is not working as it should. You have referred to 95%, but 5% of millions of customers is still an awful lot of people. You have heard the stories this afternoon, which are just a selection of what members of this Committee have received on email and online since we have said that we were going to be hearing you. People are really frustrated, particularly elderly constituents. Those in vulnerable or emotional situations are very upset about all of this.

Let me just finish with some short questions at the end. Mr Meddings, I am interested to know when, as chair, you were called and alerted to the scale of this problem?

**Richard Meddings:** I was sitting on the various subcommittees of the board, and the board approved on Wednesday that we would go live. This was Wednesday of the week before this started, and it delegated its authority to a subcommittee.

Q144 **Chair:** Was that enough time—from the Wednesday?

**Richard Meddings:** The subcommittee then met on Thursday, on Saturday and on Sunday. We essentially gave approval for the go-live at about 1.00 on Sunday and it was going to bring the system up at about 6.00. We knew within an hour that there was a problem on the linked accounts, so the system was taken down on the Sunday night. I was informed within hours of that. On the Sunday evening I knew there had been an initial problem. The system was going down and it was going to come back up, but we knew what it was. It was these linked accounts and nominee accounts—about 400 of them.

I was in the office on Monday pretty early and as the other issues emerged we still thought—and it was our honest belief from our various providers—that they were capable of pretty immediate fixing. I was involved all through that Monday and I have been at TSB pretty much full-time through the whole of this period.



Q145 **Chair:** When were other board members alerted?

**Richard Meddings:** We had set up a board call on Monday night. There was one on early Sunday afternoon to let people know that the decision had been made to go. There was a board call for the whole board set up on Monday night. There was another one on Tuesday night. Given that we were then seeing that we were having problems, we then called another board on Wednesday and on Friday. We have had another call, which was on Sunday, and then the board has met again this morning.

Q146 **Chair:** Who on the board, leaving aside executives, from the non-executives has been tasked? Has it been you or the senior non-executive director who has been tasked with being the non-exec with particular responsibility for this issue?

**Richard Meddings:** The whole board is clearly dealing with this issue and is giving as much support to the senior execs as we are able to. We are also clearly asking questions. We have taken a series of actions. I have told you about some of them.

Can I just say something, Chair, if you will let me, because I have not said it yet? I would like to both pay tribute to and thank the partners and staff of TSB, whether it is in the branches, the call centres or the offices, because they are working heroically hard under really a lot of stress. It is a lot of stress because the systems have let them down, but our people are working immensely hard to try to help customers through this situation. I would like publically here to thank them for that.

Q147 **Chair:** Deloitte, IBM and Slaughter and May do not come cheap. How much are you expecting to pay for their services?

**Richard Meddings:** At the moment I have not got a number or a budget. As I said, we are here very early. We are dealing with this crisis as fast and as hard as we can. We are bringing in the necessary resource. We will be reviewing on a continuous basis at the board, probably in the course of next week, how these additional costs amount and how much we estimate them to be. Part of it depends upon, if you take IBM, how they see the medium-run fixing of this problem, so it is a hard number to get at today. We are going to resource up as we need to get this problem fixed as fast as possible.

Q148 **Chair:** John Mann talked about switching, and I want to go back to that. I do not want to have a general discussion about switching today. I want to just ask the question about how many TSB customers have asked to switch their accounts and how many requests TSB has received. I am also hearing that people have made the requests, but clearly there is not the capacity to process those requests. Is that correct? What has the stage got to if somebody has asked to switch their account?

**Paul Pester:** The switching process, as poor as it is across the industry, is automated, so we are a big beneficiary of customers switching to TSB and of course we make it possible for customers to switch from TSB. The



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point that you refer to, which I was making earlier, is because this market is controlled by five big players and because five big banks control between 85% and 90% of the market, the switching service that has been designed by the big five banks prevents those customers that can benefit most from switching. This is something that I have been very keen to talk to this Committee about.

Overdraft customers are on average paying £250 more than they need to pay for their bank account. That is a significant amount of money across all customers.

Q149 **Chair:** Do you realise that people are not going to be switching to TSB after this? How many customers in the last 10 days have asked to leave TSB?

**Paul Pester:** I do not have that number. I do not agree with your assertion that customers will not be switching to TSB.

Q150 **Chair:** I suggest you turn your Twitter account on, because you will receive some very clear messages.

**Paul Pester:** I would like us to come back perhaps and see how TSB respond from this.

**Chair:** We would be delighted for you to come back.

**Paul Pester:** Our partners across TSB live and breathe TSB's values. Your assertion that those 8,500 hardworking partners are going to be ineffective at attracting new customers to TSB and serve as TSB is not true. TSB is seen as taking on the big five banks. Competition is needed in this market. We have five players that control the market. Everything you can do as a Committee and everything that we can do as a challenger bank to make banking better for UK consumers we should do.

Q151 **Chair:** Mr Pester, do you realise the reputational damage that this has caused not just to TSB but to online banking generally in this country?

**Paul Pester:** We are very focused on putting TSB back where it should be, competing with the big five banks. If you look at all of the market share that the so-called challenger banks have managed to attract from the big banks over the last 10 years, if you exclude TSB it is less than 1%. We are in dire need of competition. We apologise profusely for the issues we have caused our customers, but the UK market needs TSB to be a challenger to the big five. Without TSB there is no one holding the big five to account.

Q152 **Chair:** Your customers need TSB to offer absolutely reliable, robust and certain platforms.

**Paul Pester:** I agree 100%.

Q153 **Chair:** That does not tally, I have to say, with the tone with which you have sat there and given evidence this afternoon.



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**Paul Pester:** I am very sorry if that is the impression that I have given. If I can repeat, the impression that I am intending to give is a real apology to customers for the issues that I have caused those customers, and an absolute statement that I take responsibility for this, and that no customer will be out of pocket as a consequence of these issues. I salute the hard work of our TSB partners, who are working so hard to make TSB the bank it should be. When TSB is through these issues, we will continue to take on the big five banks and attempt to make banking better for UK consumers. I am sorry if my tone has been inappropriate, but those are the messages I have attempted to deliver.

Q154 **Chair:** Those partners have been let down by senior management at the bank. The final question I wanted to ask each one of you is if you knew then, at 1.00 p.m. on the Sunday, what you know now, would you have approved go-live?

**Miguel Montes:** Surely not, because the reality is that the system contains defects that have generated real problems for customers. If we were aware of that, for sure I would not have.

Q155 **Chair:** Mr Pester, would you have approved go live?

**Paul Pester:** If I had a time machine, I would take myself back to 12.59 in the afternoon and I would change the decision. If there is one decision in my life that I could change, it is the decision to go ahead with the migration at 1.00 on Sunday afternoon. Clearly, that was a terrible decision for our bank, for our customers and for me personally. Of course I would change it.

**Richard Meddings:** Of course we would not have gone ahead. We had no indication. Again, I mention the independent review. There was a robust framework. It may cause wry smiles for you to hear this, because clearly we have significant IT challenges. There was a robust framework. There was very full testing. There were independent experts throughout the programme giving us technical reviews and audits, and we were listening to those lessons and feeding those into the programme. We had independent experts sitting alongside the board, in terms of technology, saying, "Is the board asking the right questions? Are we getting the right information?" This programme was running. The board and the audit committee between them met 34 or 35 times in this period, so on a monthly basis sat to review this.

If we had seen, to your question, any hint of this issue, we would not have gone ahead. The bank is operating. I realise that again may sound problematic to our many customers who are suffering severe disruption, but our assurance to them is their data is safe and their money is safe. The main functionality of the bank is operating. The issue we have really got to fix is the customer's ability to get access to the bank, at the levels of service they expect, promptly and then to execute.



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Part of the problem we have is because they have become understandably disturbed in their confidence, it changes customer behaviour about the number of calls they want to make and which channels they go to, so the problem becomes a much bigger problem. That is where we are currently finding ourselves, although we have made some reasonable progress, particularly in the online. We have much more to do in our telephone banking and in our branches.

**Chair:** I am glad, Mr Meddings, that you appear to recognise the significance of the problems and the scale of the problems.

**Richard Meddings:** The whole board does, including Paul, the whole executive and I would also say Sabadell. I have had numerous conversations this last week with the chairman of Sabadell and with the CEO of Sabadell. We all recognise the scale of the problems.

Q156 **Chair:** Some of the evidence we have heard, as we have already said, has been inconsistent with that. The Committee has raised various cases. We have not touched on issues about people being able to see other people's account information. That has been explored elsewhere. I trust in the case of Simon's constituent you are not only going to put her back in the situation she was in, but also perhaps buy her a replacement car. There will be other situations such as that. The Committee will expect the full Slaughter and May report to be given to it.

**Richard Meddings:** Can I just qualify that? I realise I should not argue. The only thing I would like to say is we may not give the full report if it contains commercially sensitive information about infrastructure, coding and so on. However, I assure you, you will receive the findings of the report.

**Chair:** We can debate that, but I am just saying to you the Committee would like to see the full report. We would like to get early details about the compensation scheme, when that is ready to share, and how much has been set aside. There are issues around the delays in responding to calls and calls being cut off that you are going to be sending us. There may well be other things that come out of the evidence. There may be other things coming from the evidence you want to share with this Committee. We will also be raising questions with the PRA and the FCA, who we see regularly.

At the end of the day, this is a bank that many customers are feeling are absolutely not saying, "Yes". You are making it as difficult as possible to get hold of the money to pay the bills. You are putting them in an impossible financial situation. We are grateful for you being here this afternoon, for coming early in this process and giving evidence, but please do not underestimate the scale of the concern with which customers, not just of TSB but bank customers generally, are watching this and are now worrying that it could happen to them. That is an unacceptable situation to have in banking in the 21st century. Thank you very much indeed for being here this afternoon.