



Gosia McBride
Clerk of the Treasury Committee
House of Commons
Committee Office
London
SW1A 0AA

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

10 December 2019

Dear Ms McBride,

I am writing to draw the Treasury Committee's attention to a report published today by Sir Ross Cranston, and specifically to a recommendation in it requiring Lloyds Banking Group to communicate certain additional information to the Committee.

By way of background you will recall that in December 2018 John Glen, Economic Secretary to the Treasury, announced in the Commons that Lloyds Banking Group would commission an independent quality assurance review of the HBOS Reading customer compensation scheme overseen by Professor Russel Griggs OBE.

Prof Griggs was appointed in 2017 after consultation with the FCA and tasked with providing fair, reasonable and swift compensation to the victims of the criminality at HBOS Reading more than a decade ago. More than £102m has been paid in compensation and ex-gratia payments to victims of HBOS Reading. There was a total of 71 business customers and 191 directors in the review, of which 187 accepted the offers made through the review.

Following Mr Glen's announcement we worked with the FCA and other stakeholders to develop a proposal that would command public confidence and meet the Government's expectations. In May we announced the appointment of Sir Ross Cranston, a former High Court judge, to lead an independent quality assurance review, and provided him with the support he needed to carry out that work.

Sir Ross has concluded his review and it is published today. We deeply regret that he finds that 'the methodology and process of the Customer Review did not achieve the purpose of delivering fair and reasonable offers of compensation' for the customers who took part. He makes a number of recommendations which we accept unreservedly and are addressing as a matter of urgency. I attach a copy of the full report for reference.

Recommendation 4.2 of Sir Ross's final report concerns the Treasury Committee. It states:

"Recommendation 4.2: The Bank must write to the Treasury Select Committee providing an accurate picture of the use of settlement templates in the course of the Customer Review."

His recommendation is based on the findings in his report that Lloyds Banking Group unintentionally and mistakenly gave the Committee an inaccurate impression of the process for settlement agreements used by the Griggs review.

The issue identified by Sir Ross stems from a letter Prof Griggs sent on 28 June 2018 to the Rt Hon Nicky Morgan MP, in her capacity as the then Chair of the Treasury Committee. He was replying to a letter from her of 26 June which requested information about his review, including a sample copy of the settlement agreement used. As described by Sir Ross in Chapter 14 of his report, Prof Griggs included a sample settlement agreement in his reply.

Sir Ross finds that Prof Griggs' letter led to 'confusion and bad feeling' among customers because the settlement template used evolved over the two and a half year period of the Griggs Review and some customers felt they had been offered a different agreement to the one he disclosed to the Committee. While Sir Ross accepts that it was fair and reasonable for the Bank to seek to use settlement agreements to achieve a full and final settlement with customers, he says greater transparency about the four settlement agreement templates eventually used by the Bank could have avoided criticism.

He concludes: "In not drawing attention to them in Professor Griggs' letter to the Rt Hon Nicky Morgan MP, Professor Griggs and the Bank unintentionally did not provide the Treasury Select Committee with a full picture of the restrictions in the settlement agreements."

He also says: "The Select Committee template was represented in Professor Griggs' letter to Parliament as 'a sample', and this gave the wrong impression that the template was representative of the settlement terms upon which the Bank had offered redress to customers in the Customer Review. Professor Griggs and the Bank have explained to me how this mistake occurred."

We apologise unreservedly to the Committee for this mistake on our part. While it was unintentional, we accept that it created confusion about the Griggs process among those who were entitled to clarity. In order to correct this omission - and at Sir Ross's recommendation - I attach copies of the four settlement agreement templates that evolved over the course of the two and half years of the Griggs review.

We recognise that Parliament is dissolved and that therefore there is currently no Treasury Committee, pending the appointment of a new one after the General Election. We wanted however to provide this information now in order to comply at the earliest opportunity with Sir Ross's recommendations.

We are at the Committee's disposal for any further information it may require.

Yours sincerely,
Benedict Brogan

BENEDICT BROGAN
Group Public Affairs Director

CONFIDENTIAL SETTLEMENT AGREEMENT

THIS AGREEMENT is made on 2017

BETWEEN:

- (1) [for individuals, partnerships, etc:] **[Name]** of [address] ("**[Party A – insert definition]**") / [for companies:] **[Name] Limited**, a company incorporated in England & Wales (registered number [] and whose registered office is at [address] ("**[Party A – insert definition]**")"); and
- (2) Lloyds Banking Group plc, HBOS plc and Bank of Scotland plc (together "**the Group**") whose registered office is the Mound, Edinburgh, EH1 1YZ;

each of whom is referred to in this Agreement as a "**Party**", or together "**the Parties**".

BACKGROUND:

- (A) The Group has agreed to undertake a review to ascertain which customers may have been affected by criminal activities linked to the former HBOS Impaired Assets Office based in Reading (the "**Review**").
- (B) The Review outcome for **[Party A]**'s case is an offer of redress totalling £[in figures] ([in words]) (the "**Review Outcome Payment**"). The Review Outcome Payment is offered in accordance with the terms of this Agreement [and has been reduced by the amount of the Interim Payment that has already been paid to **[Party A]**].
- (C) The Review Outcome Payment is made by the Group without any admission of liability to **[Party A]** either as alleged in the Review or at all.

IT IS AGREED as follows:

1. PAYMENT

- 1.1 The Group will pay the Review Outcome Payment to **[Party A]** within **[X]** days of the date of this agreement by telegraphic transfer to **[its/their]** nominated account the details of which are set out below:

Bank name: **XXXX**

Account name: **XXXX**

Client Account number: **XXXX**

Sort code: **XXXX**

IBAN reference: **XXXX**

IBAN BIC reference: **XXXX**

2. RELEASE OF ALL CLAIMS AND COVENANT NOT TO SUE

- 2.1 **[Party A]** hereby releases and agrees that the Review Outcome Payment is in full and final settlement of any actual or potential claims or complaints (including but not limited to complaints to the Financial Ombudsman Service) of whatsoever nature (including any claims for costs or interest), whether present or future and whether known or unknown and whether arising from or affected by any change in the law or any other change of circumstance of any sort, which **[it/they]** or any of them, has or may have against the Group or its Associates, including but not limited to claims or complaints based on fraud or otherwise based on allegations of dishonesty, impropriety, conspiracy or other intentional or reckless conduct arising out of or in connection with, whether directly or indirectly, the Review or the HBOS Impaired Assets Office based in Reading (the "**Settled Claims**"). Future claims for the purposes of this agreement includes any claims **[Party A]** themselves

have or subsequently obtain, including rights obtained from third parties by any means whatever including by way of an assignment, novation or subrogation.

2.2 Without prejudice to the generality of the foregoing, [Party A] agrees not to commence or prosecute any legal proceedings against the Group or its Associates or any of them in connection with the Settled Claims, save to enforce the terms of this Agreement.

2.3 In this Agreement the term "**Associates**" shall mean associate or associated companies (as defined in sections 448 and 449 Corporation Tax Act 2010), subsidiary or parent undertakings (as defined in section 1162 of the Companies Act 2006), shareholders, directors, officers, employees (including former employees), agents or assignees.

3. **WARRANTIES AND INDEMNITIES**

3.1 [Party A] warrants and represents that [it/they] [have/has] not sold, transferred, assigned or otherwise disposed of [its/their] interest in the Settled Claims.

3.2 Each Party shall indemnify, and shall keep indemnified, the other Party in respect of any and all costs or liabilities (including any and all legal costs, whether or not those costs would be recoverable apart from the provisions of this clause) incurred in connection with any future actions, claims or proceedings it might bring against the other party or, in the case of the Group, its Associates in respect of any of the Settled Claims.

3.3 [[Party A] warrants and represents that: he/she has not had a bankruptcy petition presented against him/her or been declared bankrupt or been served with a statutory demand; and he/she has not entered into or proposed to enter into any arrangement with or for his/her creditors (including, but not limited to, an individual voluntary arrangement), and no analogous procedure or step has been taken in any jurisdiction.

4. **CONFIDENTIALITY**

4.1 Each Party undertakes to the other that (unless the prior written consent of the other Party shall first have been obtained) it shall, and shall procure that its officers, employees, advisers and agents shall, keep confidential and not by failure to exercise due care or otherwise by any act or omission disclose to any person whatever the terms of this Agreement or the contents of the discussions and negotiations which have led up to this Agreement (the "**Confidential Information**").

4.2 The consent referred to in clause 4.1 shall not be required for disclosure by a Party of any Confidential Information:

4.2.1 to its officers, employees, agents or insurers, in each case, as may be contemplated by this Agreement or to the extent required to enable such Party to carry out its obligations under this Agreement, who shall in each case be made aware by such Party of its obligations under this clause and shall be required by such Party to observe the same restrictions on the use of the relevant information as are contained in clause 4.1;

4.2.2 to its professional advisers (including without limitation its auditors and other accounting advisers, financial advisers and legal advisers) who are bound to such Party by a duty of confidence which applies to any information disclosed;

4.2.3 to the extent required by applicable law or by the regulations of any stock exchange or regulatory or supervisory authority to which such Party is or may become subject to or pursuant to any order of court or other competent authority or tribunal;

4.2.4 to the extent that the relevant Confidential Information is in the public domain otherwise than by breach of this Agreement by such Party;

- 4.2.5 which is disclosed to such Party by a third party who is not in breach of any undertaking or duty as to confidentiality whether express or implied.
- 4.3 If a Party intends, in circumstances contemplated by clause 4.2.3 or 4.2.4, to disclose any Confidential Information such Party shall give to the other Party such notice as is practical in the circumstances of such disclosure and shall co-operate with the other Party, having due regard to the other Party's views, and take such steps as the other Party may reasonably require in order to enable it to mitigate the effects of, or avoid the requirements for, any such disclosure.
- 4.4 For the avoidance of doubt, the fact that a settlement has been reached on confidential terms does not itself fall within the definition of Confidential Information.
- 4.5 Nothing in this clause 4 prevents either Party from notifying the Financial Conduct Authority, the Prudential Regulation Authority, Her Majesty's Revenue and Customs or the Financial Ombudsman Service of the existence or terms of this Agreement.
5. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**
- 5.1 With the exception of the right of the Group's Associates to enforce clause 2 of this Agreement, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.
- 5.2 The Parties to this Agreement may by agreement rescind or vary any term of this Agreement without the consent of any of the Group's Associates.
6. **MISCELLANEOUS**
- 6.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 6.2 This Agreement represents the entire understanding and constitutes the whole agreement in relation to its subject matter and supersedes any previous agreement between the Parties with respect thereto save for the Interim Payment Agreement and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.
- 6.3 Each party confirms that:
- 6.3.1 in entering into this Agreement it has not relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement; and
- 6.3.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are pursuant to this Agreement, and for the avoidance of doubt and without limitation, neither party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this Agreement).
- 6.4 If any provision or part of this Agreement is found to be void or unenforceable, it shall be deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect.
- 6.5 This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original,

but all the counterparts shall together constitute one and the same instrument.

- 6.6 No variation of this Agreement shall be effective unless it is in writing (which for this purpose does not include email) signed by or on behalf of each of the Parties.
- 6.7 Any payment made by the Group pursuant to the terms of this Agreement shall be paid without set-off and free and clear of all tax save only for any deductions or withholdings required by law.
- 6.8 [Party A] confirms and warrants that the Group has not provided any advice or made any representation to [Party A] in respect of the tax treatment of any payment received by it under this Agreement, and acknowledges that the Group bears no responsibility for any tax filings required to be made by [Party A] in respect of any such payment. [Party A] acknowledges that the Group shall not be required to make any further or additional payment to [Party A] in the event that a payment under this Agreement is withheld or deducted for or on account of tax, in the event that any payment made under this Agreement is charged to tax or liable to tax (whether in the hands of [Party A] or otherwise), or in the event that any such payment would have been so charged to tax or liable to tax but for the utilisation by any person of a relief, loss, allowance, exemption, set-off credit in respect of any tax.
- 6.9 [[Party A] confirms and warrants that, before entering into this Agreement, [it/they] have taken independent legal advice regarding this Agreement] OR [[Party A] acknowledges that the Group has recommended that [it/they] should seek independent legal advice regarding this Agreement before entering into it and that the Group has offered to meet [its/their] reasonable costs in doing so].

This agreement has been entered into on the date stated at the beginning of it.

Executed by [Party A]
[acting by **[its/their]** agent *[insert name of agent]*]

Executed by HBOS PLC
[Acting by its agent Herbert Smith Freehills LLP]

Executed by BANK OF SCOTLAND PLC
[Acting by its agent Herbert Smith Freehills LLP]

Executed by LLOYDS BANKING GROUP PLC
[Acting by its agent Herbert Smith Freehills LLP]

Without prejudice and subject to contract

CONFIDENTIAL SETTLEMENT AGREEMENT

THIS AGREEMENT is made on 2017

BETWEEN:

- (1) [Name] of [Address] ("Party A – insert definition"); and
- (2) Lloyds Banking Group plc, HBOS plc and Bank of Scotland plc (together "the Group") whose registered office is the Mound, Edinburgh, EH1 1YZ;

each of whom is referred to in this Agreement as a "Party", or together "the Parties".

BACKGROUND:

- (A) The Group is undertaking a review ("the Review") of customers that may have been affected by criminal activities linked to the former HBOS Impaired Assets Office based in Reading (the "HBOS Reading").
- (B) A criminal investigation into these activities and trial conducted by the Thames Valley Police and Crown Prosecution Service led to Lynden Scourfield, Mark Dobson, David Mills, Alison Mills, Michael Bancroft and John Cartwright being convicted of one or more of the following offences: fraudulent trading, conspiracy to corrupt and conspiracy to conceal criminal property ('money laundering') (known as "Operation Hornet").
- (C) The outcome of the Review for [Party A]'s case (as set out in a letter from the Group to [Party A] dated [DD Month YYYY]) is an offer of redress of £[figures] ([in words]) (the "Review Outcome Payment"). The Review Outcome Payment is offered in accordance with the terms of this Agreement.
- (D) The Review Outcome Payment is made by the Group without any admission of liability to [Party A] either as alleged in the Review or at all.

IT IS AGREED as follows:

1. PAYMENT

- 1.1 The Group will pay the Review Outcome Payment to [Party A] within 14 days of the date of this agreement by telegraphic transfer to his nominated account the details of which are set out below:

Bank name: XXXX
 Account name: XXXX
 Account number: XXXX
 Sort code: XXXX
 IBAN reference: XXXX
 IBAN BIC reference: XXXX

2. RELEASE OF ALL CLAIMS AND COVENANT NOT TO SUE

- 2.1 [Party A] hereby releases and agrees that the Review Outcome Payment is in full and final settlement of any actual or potential claims or complaints (including but not limited to complaints to the Financial Ombudsman Service) of whatsoever nature (including any claims for costs or interest), whether present or future and whether known or unknown and whether arising from or affected by any change in the law or any other change of circumstance of any sort, which [he/she] has or may have against the Group or its Associates, including but not limited to claims or complaints based on fraud or otherwise based on allegations of dishonesty, impropriety, conspiracy or other intentional or reckless conduct arising out of or in connection with, whether directly or indirectly, the Review or [or X Limited (or its/their Associates)] or HBOS Reading or Operation Hornet (the "Settled Claims"). Future claims for the purposes of this Agreement includes any claims [Party A]

has or subsequently obtains, including rights obtained from third parties by any means whatever including by way of an assignment, novation or subrogation.

- 2.2 Without prejudice to the generality of the foregoing, **[Party A]** agrees not to sue, commence, voluntarily aid in any way or prosecute any action, complaint, suit or other proceedings against the Group or its Associates or any of them in connection with the Settled Claims, save to enforce the terms of this Agreement.
- 2.3 **[Party A]** agrees not to voluntarily aid or assist [X Limited (or [its/their] Associates)] in any way (whether directly or indirectly) to sue, commence, prosecute or cause to be commenced or prosecuted any action, complaint, suit or other proceedings against the Group or its Associates or any of them in connection with the Settled Claims or HBOS Reading or Operation Hornet, in this jurisdiction or any other.
- 2.4 In this Agreement the term "**Associates**" shall mean associate or associated companies (as defined in section 449 Corporation Tax Act 2010), subsidiary or parent undertakings (as defined in section 1162 of the Companies Act 2006), or in respect of the Parties or any associated companies of the Parties; shareholders, directors, officers, employees (including former employees), agents or assignees.

3. WARRANTIES AND INDEMNITIES

- 3.1 **[Party A]** warrants and represents that [he/she] has not sold, transferred, assigned or otherwise disposed of [his/her] interest in the Settled Claims.
- 3.2 **[Party A]** shall indemnify, and shall keep indemnified, the other Party in respect of any and all costs or liabilities (including any and all legal costs, whether or not those costs would be recoverable apart from the provisions of this clause) incurred in connection with any future actions, claims or proceedings it might bring against the other party or, in the case of the Group, its Associates in respect of any of the Settled Claims.
- 3.3 **[Party A]** warrants and represents that: he has not had a bankruptcy petition presented against him or been declared bankrupt or been served with a statutory demand; and he has not entered into or proposed to enter into any arrangement with or for his creditors (including, but not limited to, an individual voluntary arrangement), and no analogous procedure or step has been taken in any jurisdiction.

4. CONFIDENTIALITY

- 4.1 Each Party undertakes to the other that (unless the prior written consent of the other Party shall first have been obtained) it shall, and shall procure that its officers, employees, advisers and agents shall, keep confidential and not by failure to exercise due care or otherwise by any act or omission disclose to any person whatever the terms of this Agreement or the contents of the discussions and negotiations which have led up to this Agreement (the "**Confidential Information**").
- 4.2 The consent referred to in clause 4.1 shall not be required for disclosure by a Party of any Confidential Information:
- 4.2.1 to its officers, employees, agents or insurers, in each case, as may be contemplated by this Agreement or to the extent required to enable such Party to carry out its obligations under this Agreement, who shall in each case be made aware by such Party of its obligations under this clause and shall be required by such Party to observe the same restrictions on the use of the relevant information as are contained in clause 4.1;
- 4.2.2 to its professional advisers (including without limitation its auditors and other accounting advisers, financial advisers and legal advisers) who are bound to such Party by a duty of confidence which applies to any information disclosed;
- 4.2.3 to the extent required by applicable law or by the regulations of any stock exchange or regulatory or supervisory authority to which such Party is or may become subject to or pursuant to any order of court or other competent authority or tribunal;

- 4.2.4 to the extent that the relevant Confidential Information is in the public domain otherwise than by breach of this Agreement by such Party;
 - 4.2.5 which is disclosed to such Party by a third party who is not in breach of any undertaking or duty as to confidentiality whether express or implied.
- 4.3 If a Party intends, in circumstances contemplated by clause 4.2.3 or 4.2.4, to disclose any Confidential Information such Party shall give to the other Party such notice as is practical in the circumstances of such disclosure and shall co-operate with the other Party, having due regard to the other Party's views, and take such steps as the other Party may reasonably require in order to enable it to mitigate the effects of, or avoid the requirements for, any such disclosure.
- 4.4 For the avoidance of doubt, the fact that a settlement has been reached on confidential terms does not itself fall within the definition of Confidential Information.
- 4.5 Nothing in this clause 4 prevents either Party from notifying the Financial Conduct Authority, the Prudential Regulation Authority, Her Majesty's Revenue and Customs or the Financial Ombudsman Service of the existence or terms of this Agreement.

5. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

- 5.1 With the exception of the right of the Group's Associates to enforce clause 2 of this Agreement, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.
- 5.2 The Parties to this Agreement may by agreement rescind or vary any term of this Agreement without the consent of any of the Group's Associates.

6. MISCELLANEOUS

- 6.1 This Agreement shall be binding upon and shall inure to the benefit of the Parties and their permitted successors, transferors and assignees (including any successors, transferors or assignees by operation of law).
- 6.2 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 6.3 The Parties agree that the Courts of England and Wales shall have exclusive jurisdiction in relation to any dispute or claim arising out of or in connection with this Agreement or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims). Each party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.
- 6.4 This Agreement represents the entire understanding and constitutes the whole agreement in relation to its subject matter and supersedes any previous agreement between the Parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.
- 6.5 Each party confirms that:
 - 6.5.1 in entering into this Agreement it has not relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement; and
 - 6.5.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are pursuant

Without prejudice and subject to contract

to this Agreement, and for the avoidance of doubt and without limitation, neither party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this Agreement).

- 6.6 If any provision or part of this Agreement is found to be void or unenforceable, it shall be deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect.
- 6.7 This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.
- 6.8 No variation of this Agreement shall be effective unless it is in writing (which for this purpose does not include email) signed by or on behalf of each of the Parties.
- 6.9 Any payment made by the Group pursuant to the terms of this Agreement shall be paid without set-off and free and clear of all tax save only for any deductions or withholdings required by law.
- 6.10 [Party A] confirms and warrants that the Group has not provided any advice or made any representation to [Party A] in respect of the tax treatment of any payment received by him under this Agreement, and acknowledges that the Group bears no responsibility for any tax notifications or filings required to be made by [Party A] (or any other person other than the Group) in respect of any such payment. [Party A] acknowledges that the Group shall not be required to make any further or additional payment to [Party A] (a) in the event that the Group makes any withholding or deduction required by law in respect of any payment under this Agreement, (b) in the event that any payment made under this Agreement is charged to tax or liable to tax (whether in the hands of [Party A] or otherwise), or (c) in the event that any such payment would have been so charged to tax or liable to tax but for the utilisation by any person of a relief, loss, allowance, exemption, set-off credit in respect of any tax.
- 6.11 [Party A] confirms and warrants that, before entering into this Agreement, he has taken independent legal advice regarding this Agreement.

This agreement has been entered into on the date stated at the beginning of it.

Executed by [Party A]

.....

Executed by HBOS PLC

.....

Executed by BANK OF SCOTLAND PLC

.....

Executed by LLOYDS BANKING GROUP PLC

.....

CONFIDENTIAL SETTLEMENT AGREEMENT

THIS AGREEMENT is made on 2017

BETWEEN:

- (1) **[Name]** of **[address]** ("**[Party A – insert definition]**"); and
- (2) Lloyds Banking Group plc, HBOS plc and Bank of Scotland plc (together "the **Group**") whose registered office is the Mound, Edinburgh, EH1 1YZ;

each of whom is referred to in this Agreement as a "**Party**", or together "the **Parties**".

BACKGROUND:

- (A) The Group is undertaking a review ("the **Review**") of customers that may have been affected by criminal activities linked to the former HBOS Impaired Assets Office based in Reading ("**HBOS Reading**").
- (B) A criminal investigation into these activities and trial conducted by the Thames Valley Police and Crown Prosecution Service led to Lynden Scourfield, Mark Dobson, David Mills, Alison Mills, Michael Bancroft and John Cartwright being convicted of one or more of the following offences: fraudulent trading, conspiracy to corrupt and conspiracy to conceal criminal property ('money laundering') (known as "**Operation Hornet**").
- (C) The outcome of the Review for **[Party A]**'s case (as set out in a letter from the Group to **[Party A]** dated **[DD Month YYYY]**) is an offer of redress of £**[in figures]** (**[in words]**) ("the **Review Outcome Payment**"), before the deduction of withholding tax, broken down as follows:
 - I. £**[figures]** for distress and inconvenience arising from interactions **[Party A]** had with HBOS Reading;
 - II. £**[figures]** which is a sum equivalent to the fees charged to [X Limited [(now dissolved)]] by Quayside Corporate Service Limited ("the **QCS Fees Equivalent**");
 - III. Compensatory Interest of £**[figures]** on the QCS Fees Equivalent ("the **Compensatory Interest Sum**").
- (D) The Compensatory Interest Sum is subject to the deduction of withholding tax at a rate of 20% as set out in a letter from the Group to **[Party A]** dated **[DD Month YYYY]**. Accordingly, the net amount of the Review Outcome Payment that **[Party A]** will receive from the Group is £**[in figures]** (**[in words]**) ("the **Net Review Outcome Payment**").
- (E) The Review Outcome Payment is offered in accordance with the terms of this Agreement and is made by the Group without any admission of liability to **[Party A]** either as alleged in the Review or at all.

IT IS AGREED as follows:

1. PAYMENT

- 1.1 The Group will pay the Net Review Outcome Payment to **[Party A]** within 14 days of the date of this Agreement by telegraphic transfer to **[his/her/]** nominated account the details of which are set out below:

Bank name: **XXXX**

Account name: **XXXX**

Account number: **XXXX**

Sort code: **XXXX**

IBAN reference: **XXXX**

IBAN BIC reference: XXXX

2. RELEASE OF ALL CLAIMS AND COVENANT NOT TO SUE

- 2.1 [Party A] hereby releases and agrees that the Review Outcome Payment is in full and final settlement of any actual or potential claims or complaints (including but not limited to complaints to the Financial Ombudsman Service) of whatsoever nature (including any claims for costs or interest), whether present or future and whether known or unknown and whether arising from or affected by any change in the law or any other change of circumstance of any sort, which [he/she] has or may have against the Group or its Associates, including but not limited to claims or complaints based on fraud or otherwise based on allegations of dishonesty, impropriety, conspiracy or other intentional or reckless conduct arising out of or in connection with, whether directly or indirectly, the Review [or X Limited (or its Associates)] or HBOS Reading or Operation Hornet ("the **Settled Claims**"). Future claims for the purposes of this Agreement includes any claims [Party A] has or subsequently obtains, including rights obtained from third parties by any means whatever including by way of an assignment, novation or subrogation.
- 2.2 Without prejudice to the generality of the foregoing, [Party A] agrees not to sue, commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted any action, complaint, suit or other proceeding against the Group or its Associates or any of them in connection with the Settled Claims, save to enforce the terms of this Agreement.
- 2.3 [Party A] agrees not to voluntarily aid or assist the [Name of Company (or its Associates)] in any way (whether directly or indirectly) to sue, commence, prosecute or cause to be commenced or prosecuted any action, complaint, suit or other proceeding against the Group or its Associates in connection with the Settled Claims or HBOS Reading or Operation Hornet, in this jurisdiction or any other.
- 2.4 In this Agreement the term "**Associates**" shall mean associate or associated companies (as defined in section 449 Corporation Tax Act 2010), subsidiary or parent undertakings (as defined in section 1162 of the Companies Act 2006), or in respect of the Parties or any associated companies of the Parties: shareholders, directors, officers, employees (including former employees), agents or assignees.

3. WARRANTIES AND INDEMNITIES

- 3.1 [Party A] warrants and represents that [he/she] has not sold, transferred, assigned or otherwise disposed of [his/her] interest in the Settled Claims.
- 3.2 [Party A] shall indemnify, and shall keep indemnified, the Group (and its Associates) in respect of any and all costs or liabilities (including any and all legal costs, whether or not those costs would be recoverable apart from the provisions of this clause) incurred in connection with any future actions, claims or proceedings it might bring against the Group (or its Associates) in respect of any of the Settled Claims.
- 3.3 [Party A] warrants and represents that: [he/she] has not had a bankruptcy petition presented against [him/her] or been declared bankrupt or been served with a statutory demand; and [he/she] has not entered into or proposed to enter into any arrangement with or for [his/her] creditors (including, but not limited to, an individual voluntary arrangement), and no analogous procedure or step has been taken in any jurisdiction.

4. CONFIDENTIALITY

- 4.1 Each Party undertakes to the other that (unless the prior written consent of the other Party shall first have been obtained) it shall, and shall procure that its officers, employees, advisers and agents shall, keep confidential and not by failure to exercise due care or otherwise by any act or omission disclose to any person whatever the terms of this Agreement or the contents of the discussions and negotiations which have led up to this

Agreement ("the **Confidential Information**").

- 4.2 The consent referred to in clause 4.1 shall not be required for disclosure by a Party of any Confidential Information:
- 4.2.1 to its officers, employees, agents or insurers, in each case, as may be contemplated by this Agreement or to the extent required to enable such Party to carry out its obligations under this Agreement, who shall in each case be made aware by such Party of its obligations under this clause and shall be required by such Party to observe the same restrictions on the use of the relevant information as are contained in clause 4.1;
 - 4.2.2 to its professional advisers (including without limitation its auditors and other accounting advisers, financial advisers and legal advisers) who are bound to such Party by a duty of confidence which applies to any information disclosed;
 - 4.2.3 to the extent required by applicable law or by the regulations of any stock exchange or regulatory or supervisory authority to which such Party is or may become subject to or pursuant to any order of court or other competent authority or tribunal;
 - 4.2.4 to the extent that the relevant Confidential Information is in the public domain otherwise than by breach of this Agreement by such Party;
 - 4.2.5 which is disclosed to such Party by a third party who is not in breach of any undertaking or duty as to confidentiality whether express or implied.
- 4.3 If a Party intends, in circumstances contemplated by clause 4.2.3, to disclose any Confidential Information such Party shall give to the other Party such notice as is practical in the circumstances of such disclosure and shall co-operate with the other Party, having due regard to the other Party's views, and take such steps as the other Party may reasonably require in order to enable it to mitigate the effects of, or avoid the requirements for, any such disclosure.
- 4.4 For the avoidance of doubt, the fact that a settlement has been reached on confidential terms does not itself fall within the definition of Confidential Information.
- 4.5 Nothing in this clause 4 prevents either Party from notifying the Financial Conduct Authority, the Prudential Regulation Authority, Her Majesty's Revenue and Customs or the Financial Ombudsman Service of the existence or terms of this Agreement.
5. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**
- 5.1 With the exception of the right of the Group's Associates to enforce clauses 2 and 3 of this Agreement, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.
- 5.2 The Parties to this Agreement may by agreement rescind or vary any term of this Agreement without the consent of any of the Group's Associates.
6. **MISCELLANEOUS**
- 6.1 [Each Party to this Agreement agrees that it shall not take any step whatsoever to seek to restore [insert company name] (now dissolved), without the written consent of all the Parties to this Agreement.]
- 6.2 This Agreement shall be binding upon and shall inure to the benefit of the Parties and their permitted successors, transferors and assignees (including any successors, transferors or assignees by operation of law).

- 6.3 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 6.4 The Parties agree that the Courts of England and Wales shall have exclusive jurisdiction in relation to any dispute or claim arising out of or in connection with this Agreement or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims). Each Party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.
- 6.5 This Agreement represents the entire understanding and constitutes the whole agreement in relation to its subject matter and supersedes any previous agreement between the Parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.
- 6.6 Each Party confirms that:
- 6.6.1 in entering into this Agreement it has not relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement; and
- 6.6.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are pursuant to this Agreement, and for the avoidance of doubt and without limitation, neither party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this Agreement).
- 6.7 If any provision or part of this Agreement is found to be void or unenforceable, it shall be deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect.
- 6.8 This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.
- 6.9 No variation of this Agreement shall be effective unless it is in writing (which for this purpose does not include email) signed by or on behalf of each of the Parties.
- 6.10 Any payment made by the Group pursuant to the terms of this Agreement shall be paid without set-off and free and clear of all tax save only for any deductions or withholdings required by law.
- 6.11 [Party A] confirms and warrants that the Group has not provided any advice to [Party A] in respect of the tax treatment of any payment received by [him/her] under this Agreement, and acknowledges that the Group bears no responsibility for any tax notifications or filings required to be made by [Party A] (or any other person other than the Group) in respect of any such payment. [Party A] acknowledges that the Group shall not be required to make any further or additional payment to [Party A] (a) in the event that the Group makes any withholding or deduction required by law in respect of any payment under this Agreement, (b) in the event that any payment made under this Agreement is charged to tax or liable to tax (whether in the hands of [Party A] or otherwise), or (c) in the event that any such payment would have been so charged to tax or liable to tax but for the utilisation by any person of a relief, loss, allowance, exemption, set-off credit in respect of any tax.

Without prejudice and subject to contract

6.12 [Party A] confirms and warrants that, before entering into this Agreement, [he/she] has taken independent legal advice regarding this Agreement.

This agreement has been entered into on the date stated at the beginning of it.

Executed by [Party A]

Executed by HBOS PLC

Executed by BANK OF SCOTLAND PLC
.....

Executed by LLOYDS BANKING GROUP PLC
.....

CONFIDENTIAL SETTLEMENT AGREEMENT

THIS AGREEMENT is made on 2019

BETWEEN:

- (1) **[Name]** of **[address]** ("**[Party A – insert definition]**"); and
- (2) Lloyds Banking Group plc, HBOS plc and Bank of Scotland plc (together "**the Group**") whose registered office is the Mound, Edinburgh, EH1 1YZ;

each of whom is referred to in this Agreement as a "**Party**", or together "**the Parties**".

BACKGROUND:

- (A) The Group is undertaking a review ("**the Review**") of customers that may have been affected by criminal activities linked to the former HBOS Impaired Assets Office based in Reading ("**HBOS Reading**").
- (B) A criminal investigation into these activities and trial conducted by the Thames Valley Police and Crown Prosecution Service led to Lynden Scourfield, Mark Dobson, David Mills, Alison Mills, Michael Bancroft and John Cartwright being convicted of one or more of the following offences: fraudulent trading, conspiracy to corrupt and conspiracy to conceal criminal property ('money laundering') (known as "**Operation Hornet**").
- (C) [On **[DD Month YYYY]** the Parties entered into an Interim Payment Agreement ("**the Interim Payment Agreement**"). Under the terms of the Interim Payment Agreement the Group paid to **[Party A]** the sum of £**[in figures]** (**[in words]**) ("**the Interim Payment**") without any admission of liability and **[Party A]** agreed that the Interim Payment would be offset in full against any final redress award offered by the Review.
- (D) The outcome of the Review for **[Party A]**'s case (as set out in a letter from the Group to **[Party A]** dated **[DD Month YYYY]**) is an offer of a payment totalling £**[in figures]** (**[in words]**) ("**the Review Outcome Payment**") before the deduction of withholding tax ("**the Net Review Outcome Payment**"), broken down as follows:
 - I. £**[figures]** for distress and inconvenience arising from interactions **[Party A]** had with HBOS Reading[, which (being £**[figures]** reduced by the amount of the Interim Payment that has already been made to **[Party A]**;
 - II. £**[figures]** which is a sum equivalent to the fees charged to [X Limited [(now dissolved)]] by Quayside Corporate Service Limited ("**the QCS Fees Equivalent**")];
 - III. Compensatory Interest of £**[figures]** on the QCS Fees Equivalent ("**the Compensatory Interest Sum**").
- (E) The Compensatory Interest Sum is subject to the deduction of withholding tax at a rate of 20% as set out in a letter from the Group to **[Party A]** dated **[DD Month YYYY]**. Accordingly, the net amount of the Review Outcome Payment that **[Party A]** will receive from the Group is £**[in figures]** (**[in words]**) ("**the Net Review Outcome Payment**").
- (F) The Review Outcome Payment is offered in accordance with the terms of this Agreement and is made by the Group without any admission of liability to **[Party A]** either as alleged in the Review or at all.

IT IS AGREED as follows:

1. PAYMENT

- 1.1 The Group will pay the Net Review Outcome Payment to **[Party A]** within 14 days of the date of this Agreement by telegraphic transfer to **[his/her/]** nominated account the details of which are set out below:

Bank name: **XXXX**

Account name: XXXX

Account number: XXXX

Sort code: XXXX

IBAN reference: XXXX

IBAN BIC reference: XXXX

2. RELEASE OF ALL CLAIMS AND COVENANT NOT TO SUE

- 2.1 [Party A] hereby releases and agrees that the Review Outcome Payment is in full and final settlement of any actual or potential claims or complaints (including but not limited to complaints to the Financial Ombudsman Service) of whatsoever nature (including any claims for costs or interest), whether present or future and whether known or unknown and whether arising from or affected by any change in the law or any other change of circumstance of any sort, which [he/she] has or may have against the Group or its Associates, including but not limited to claims or complaints based on fraud or otherwise based on allegations of dishonesty, impropriety, conspiracy or other intentional or reckless conduct arising out of or in connection with, whether directly or indirectly, the Review [or X Limited (or its Associates)] or HBOS Reading or Operation Hornet ("the **Settled Claims**"). Future claims for the purposes of this Agreement includes any claims [Party A] has or subsequently obtains, including rights obtained from third parties by any means whatever including by way of an assignment, novation or subrogation.
- 2.2 Without prejudice to the generality of the foregoing, [Party A] agrees not to sue, commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted any action, complaint, suit or other proceeding against the Group or its Associates or any of them in connection with the Settled Claims, save to enforce the terms of this Agreement.
- 2.3 [Party A] agrees not to voluntarily aid or assist the [Name of Company] (or its Associates) in any way (whether directly or indirectly) to sue, commence, prosecute or cause to be commenced or prosecuted any action, complaint, suit or other proceeding against the Group or its Associates in connection with the Settled Claims or HBOS Reading or Operation Hornet, in this jurisdiction or any other.
- 2.4 In this Agreement the term "**Associates**" shall mean associate or associated companies (as defined in section 449 Corporation Tax Act 2010), subsidiary or parent undertakings (as defined in section 1162 of the Companies Act 2006), or in respect of the Parties or any associated companies of the Parties: shareholders, directors, officers, employees (including former employees), agents or assignees.

3. WARRANTIES AND INDEMNITIES

- 3.1 [Party A] warrants and represents that [he/she] has not sold, transferred, assigned or otherwise disposed of [his/her] interest in the Settled Claims.
- 3.2 [Party A] shall indemnify, and shall keep indemnified, the Group (and its Associates) in respect of any and all costs or liabilities (including any and all legal costs, whether or not those costs would be recoverable apart from the provisions of this clause) incurred in connection with any future actions, claims or proceedings it might bring against the Group (or its Associates) in respect of any of the Settled Claims.
- 3.3 [Party A] warrants and represents that: [he/she] has not had a bankruptcy petition presented against [him/her] or been declared bankrupt or been served with a statutory demand; and [he/she] has not entered into or proposed to enter into any arrangement with or for [his/her] creditors (including, but not limited to, an individual voluntary arrangement), and no analogous procedure or step has been taken in any jurisdiction.

4. **CONFIDENTIALITY**

- 4.1 Each Party undertakes to the other that (unless the prior written consent of the other Party shall first have been obtained) it shall, and shall procure that its officers, employees, advisers and agents shall, keep confidential and not by failure to exercise due care or otherwise by any act or omission disclose to any person whatever the terms of this Agreement or the contents of the discussions and negotiations which have led up to this Agreement ("the **Confidential Information**").
- 4.2 The consent referred to in clause 4.1 shall not be required for disclosure by a Party of any Confidential Information:
- 4.2.1 to its officers, employees, agents or insurers, in each case, as may be contemplated by this Agreement or to the extent required to enable such Party to carry out its obligations under this Agreement, who shall in each case be made aware by such Party of its obligations under this clause and shall be required by such Party to observe the same restrictions on the use of the relevant information as are contained in clause 4.1;
 - 4.2.2 to its professional advisers (including without limitation its auditors and other accounting advisers, financial advisers and legal advisers) who are bound to such Party by a duty of confidence which applies to any information disclosed;
 - 4.2.3 to the extent required by applicable law or by the regulations of any stock exchange or regulatory or supervisory authority to which such Party is or may become subject to or pursuant to any order of court or other competent authority or tribunal;
 - 4.2.4 to the extent that the relevant Confidential Information is in the public domain otherwise than by breach of this Agreement by such Party;
 - 4.2.5 which is disclosed to such Party by a third party who is not in breach of any undertaking or duty as to confidentiality whether express or implied.
- 4.3 If a Party intends, in circumstances contemplated by clause 4.2.3, to disclose any Confidential Information such Party shall give to the other Party such notice as is practical in the circumstances of such disclosure and shall co-operate with the other Party, having due regard to the other Party's views, and take such steps as the other Party may reasonably require in order to enable it to mitigate the effects of, or avoid the requirements for, any such disclosure.
- 4.4 For the avoidance of doubt, the fact that a settlement has been reached on confidential terms does not itself fall within the definition of Confidential Information.
- 4.5 Nothing in this clause 4 prevents either Party from notifying the Financial Conduct Authority, the Prudential Regulation Authority, Her Majesty's Revenue and Customs or the Financial Ombudsman Service of the existence or terms of this Agreement.
- 4.6 For the avoidance of doubt, the Parties agree that nothing in this Agreement prevents a Party from assisting or responding to:
- 4.6.1 the Dame Linda Dobbs Review;
 - 4.6.2 Members of the Parliament, an All-Party Parliamentary Group, the Treasury Select Committee or any other Parliamentary review;
 - 4.6.3 HMRC;

4.6.4 any law enforcement agency (including but not limited to the Thames Valley Police, the National Crime Agency, the Crown Prosecution Service or the Serious Fraud Office); and

4.6.5 any regulatory agency (including but not limited to the FCA, the PRA and the Financial reporting Council).

5. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

5.1 With the exception of the right of the Group's Associates to enforce clauses 2 and 3 of this Agreement, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

5.2 The Parties to this Agreement may by agreement rescind or vary any term of this Agreement without the consent of any of the Group's Associates.

6. MISCELLANEOUS

6.1 [Each Party to this Agreement agrees that it shall not take any step whatsoever to seek to restore [X Limited] (now dissolved), without the written consent of all the Parties to this Agreement.]

6.2 This Agreement shall be binding upon and shall inure to the benefit of the Parties and their permitted successors, transferors and assignees (including any successors, transferors or assignees by operation of law).

6.3 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

6.4 The Parties agree that the Courts of England and Wales shall have exclusive jurisdiction in relation to any dispute or claim arising out of or in connection with this Agreement or its subject matter, existence, negotiation, validity, termination or enforceability (including non-contractual disputes or claims). Each Party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

6.5 This Agreement represents the entire understanding and constitutes the whole agreement in relation to its subject matter and supersedes any previous agreement between the Parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.

6.6 Each Party confirms that:

6.6.1 in entering into this Agreement it has not relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out in this Agreement; and

6.6.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are pursuant to this Agreement, and for the avoidance of doubt and without limitation, neither party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this Agreement).

6.7 If any provision or part of this Agreement is found to be void or unenforceable, it shall be

deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect.

- 6.8 This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.
- 6.9 No variation of this Agreement shall be effective unless it is in writing (which for this purpose does not include email) signed by or on behalf of each of the Parties.
- 6.10 Any payment made by the Group pursuant to the terms of this Agreement shall be paid without set-off and free and clear of all tax save only for any deductions or withholdings required by law.
- 6.11 [Party A] confirms and warrants that the Group has not provided any advice to [Party A] in respect of the tax treatment of any payment received by [him/her] under this Agreement, and acknowledges that the Group bears no responsibility for any tax notifications or filings required to be made by [Party A] (or any other person other than the Group) in respect of any such payment. [Party A] acknowledges that the Group shall not be required to make any further or additional payment to [Party A] (a) in the event that the Group makes any withholding or deduction required by law in respect of any payment under this Agreement, (b) in the event that any payment made under this Agreement is charged to tax or liable to tax (whether in the hands of [Party A] or otherwise), or (c) in the event that any such payment would have been so charged to tax or liable to tax but for the utilisation by any person of a relief, loss, allowance, exemption, set-off credit in respect of any tax.
- 6.12 [Party A] confirms and warrants that, before entering into this Agreement, [he/she] has taken independent legal advice regarding this Agreement.

Without prejudice and subject to contract

This agreement has been entered into on the date stated at the beginning of it.

Executed by [Party A]

Executed by HBOS PLC

Executed by BANK OF SCOTLAND PLC
.....

Executed by LLOYDS BANKING GROUP PLC
.....