LLOYDS BANKING GROUP

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Dame Meg Hillier MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

26 February 2025

Dear Dame Meg,

Thank you for your letter dated 10 February 2025, addressed to our Group Chief Executive Charlie Nunn, regarding the impact of IT failures on our customers over the last two years. As Group Chief Operating Officer, I am replying on his behalf.

Lloyds Banking Group is the UK's largest digital bank, and we serve 28 million people with 22.7 million digitally active customers. Last year we had 7 billion logons to online banking and our mobile app. During peak times, we have around 28,000 logons per minute, and we are one of the most used digital services in any industry in the UK.

This shift to digital banking has brought huge benefits to our customers, who can now manage their money at a time and in ways that were not possible in the past. Online and mobile banking is part of the range of ways our customers can bank with us alongside telephone banking, our branches, ATMs, via the Post Office, our Community Bankers and open banking. We are committed to delivering operational resilience, and on the occasions where one of these methods of banking is unavailable, customers can typically bank with us in another way.

It is a central part of our strategy to invest substantially in our technology to support our customers, so that we can offer the best possible experience to them: reliability is at the heart of that. Our online banking services provide access to our website and our app had 99.98pc service availability in 2024, and 99.96pc in 2023. This translates to 96 minutes of service downtime out of 527,040 available minutes in 2024.

When service outages occur, they are often limited in time and scope. However, we seek to ensure that outages of any type are minimised, so that our customers can enjoy the best possible service.

How we have approached the Committee's questions

It might be helpful briefly to set out how we categorise and report IT incidents and outages, and how we have used that data to answer the Committee's questions. We use a "material event reporting threshold" to identify events caused by IT systems failure that had a more significant customer impact. We apply a number of criteria in assessing whether an event is "material". An event that affects 75,000 customers or more will be categorised as material. We also apply a range of additional criteria that consider the length of the outage and transaction values to determine if events that affected fewer customers should also be classified as material. As part of this assessment, we consider whether customers suffered financial loss, were unable to use specific products (such as credit cards) or could not access a service (such as telephone banking). For potential material events, we invoke our incident response framework to assess the service impacts, support recovery, and mitigate customer detriment.

Between January 1 2023, and February 7 2025, there were 12 such material events affecting our customers. We report all these material events to the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and respond to their feedback to ensure we comply with industry standards.

In addition to events classed as meeting the material threshold, we also report to the FCA on a wider range of IT incidents under the Payment Services Regulations (PSR). Between 1 January 2023 and 7 February 2025 there were 158 PSR reportable incidents (72 in 2023, 80 in 2024, 6 in 2025 year to date). Many of these incidents affected only a very small number of customers. These cases reported to the regulator range from material events to more minor ones and include 9 of the 12 Material Events (MER)'s which we reported, the other 3 were not PSR reportable. For example, in September 2024 our internet banking and branch customers experienced 4 hours 32 minutes of disruption due to the unavailability of balance and statement data (MER). At the other end of the scale, in February 2024 around 150 CHAPS payments were delayed by less than 7 minutes (not an MER).

We publish summaries of incidents that affect personal and small business customers in line with requirements set out by the FCA. These are a subset of the PSR reportable incidents noted above. These summaries are available on our Bank of Scotland, Halifax and Lloyds websites. You can find them online here:

www.lloydsbank.com/current-accounts/personal-service-quality-information
www.halifax.co.uk/bankaccounts/personal-service-quality-information
www.bankofscotland.co.uk/bankaccounts/personal-service-quality-information

Question Responses

1. Please can you provide the Committee with an overview of the number of instances and amount of time in total (in hours) Lloyds Banking Group services have been unavailable to customers due to IT failure over the last two years, by Channel (i.e. app, web, branch, ATM, cards, etc)?
and
2. The number of customers that have been affected by each of those outages.

Over the past two years, on most occasions where we experienced service disruption, customers may have experienced a slower than usual service, or for instance, have been required to log on again to online banking rather than complete unavailability. The figures below show the total time in hours over the last two years that each of our channels was disrupted by a material IT issue. These include figures for both full "outages" – defined as a service being unavailable to log on to or access – and for "interruptions" – where, for example, some customers might be unable to log on or there is some loss of functionality. The figures show that in the last two years there have been two full outages of a banking 'channel' in that time, both relating to online banking, and lasting for a total of 1 hour and 36 minutes. Both instances occurred overnight in the UK.

Our figures for customers affected are estimated and based on the number of times people attempted to use these services. For example, in some instances people will have tried multiple times to log on to our app or made several attempts to speak with one of our telephone banking advisers. The true number of customers affected might therefore be lower.

- **Internet banking** experienced two UK overnight outages, totalling approximately 1 hour and 36 minutes and affecting approximately 214,000 customers. Additionally, there were four instances of service interruption, amounting to a further 20 hours. Approximately 3.82 million customer log on attempts were affected.
- **Payments**, including Bacs, CHAPS, and Faster Payments, experienced four instances of service interruption of approximately 25 hours. Approximately 1.46 million customer payments were affected.
- **Debit cards** experienced two instances of service interruption lasting approximately 20 hours. Approximately 982,000 transactions attempted were affected.
- **ATM** services experienced two instances of service interruption, totalling around 20 hours. Approximately 16,000 transactions attempted were affected.
- **Branch counter** services faced two instances of service interruption, totalling approximately 6 hours. Approximately 77,100 transactions attempted were affected.
- **Credit cards** experienced one instance of service interruption lasting approximately 5 hours. Approximately 29,500 transactions attempted were affected.
- **Telephony services** experienced one instance of service interruption lasting approximately 2 hours. Approximately 36,000 calls were received during this time, with a proportion of these callers impacted.
- **Open banking** services, which allow customers to access their financial data and initiate payments through third-party providers, were interrupted three times, totalling approximately 16 hours. Approximately 24,000 customers were affected.
- **Merchant services (card payment devices used by businesses)** experienced one instance of service interruption, lasting 5 hours. Approximately 36,000 transactions were affected.
- **Insurance, Pensions & Investments (IP&I) services,** where pensions and investment enquiries are managed, faced one instance of service interruption, totalling 8 hours. Approximately 3,000 calls were affected.

In total, across the **12 material events**, there were **two full outages**, amounting to **1 hour 36 minutes**, and in addition **21 instances of service interruption** (this is due to more than one channel being impacted across some of the 12 events), totalling approximately **60 hours 55 minutes.**

We have included a table that summarises each of these events.

3. The amount of compensation that Lloyds Banking Group have paid to your customers due to IT failures over the last two years.

During any IT event that impacts our customers, we advise them that we will ensure that they will not be left out of pocket as a cause of service disruption, and we will cover any charges they incur as a result of any IT issue such as late payment fees.

In addition to this, we may also pay compensation for the inconvenience caused to customers during any outages. The overall aggregated amount paid to customers because of disruptions experienced over the last two years is approximately **£160,000.**

4. A description of the reason for those failures.

A range of different factors caused the 12 material events we have seen over the last two years. The causes were:

- **Five events** as a result of issues during **upgrades or planned changes** to systems, either by Lloyds Banking Group or a third-party supplier. We try and minimise any disruption which occurs when changes are made, and they are typically scheduled for overnight in the UK.
- **Four events** as a result of **software issues,** including **two** experienced by **third parties.** One of these was caused by the CrowdStrike global IT outage.
- **One event** as a result of an **infrastructure design issue**.
- **One event** was the result of **Bacs payments errors**, which had to be fixed.
- **One event** was caused by a failure to provide **sufficient capacity** to meet customer demand in our online services.

I hope you find these responses helpful. Please let me know if there is any further detail I can provide to assist you or the Committee.

Yours sincerely

Ron van Kemenade
Group Chief Operating Officer

Full table of material IT outages

Incident	Date	Total Time (Hrs & Mins)	Service Disruption	Customer Experience	Failure Description
Overnight disruption to banking services	26/01/2023	8 hrs 11 mins	Internet banking	Customers were unable to view balances, transactions, or make payments online but could log on.	Infrastructure / Design error
			Debit card	47pc of debit card transactions attempted failed. Customers were able to use alternative methods, e.g. credit cards.	
			Open banking	Customers were unable to access their financial data or make payments.	
			Payments		

				Faster Payments and standing orders were delayed.	
			ATM	Around 10pc of cash withdrawals were declined.	
Internet banking disruption to service	28/04/2023	5 hrs 39 mins	Internet banking	Customers experienced intermittent issues when attempting to view their balances and transactions, and when attempting to make payments.	Capacity constraint
			Open banking	Customers experienced intermittent issues when accessing their financial data, and when making payments.	
Debit card service issue	07/12/2023	11 hrs 20 mins	Debit card	56pc of point-of-sale debit card transactions were declined. Customers were able to use alternatives, e.g. credit cards.	Third party change
			ATM	Just over 2pc of cash withdrawals from ATMs were declined. Customers were able to use alternatives, such as branch counters.	
Overnight internet banking outage	18/02/2024	45 mins	Internet banking	Internet banking was unavailable.	Planned change
Overnight internet banking outage	22/03/2024	51 mins	Internet banking	Internet banking was unavailable.	Planned change
Payments required correction	26/04/2024	4 hrs 58 mins	Payments	A proportion of Bacs payments which had to be fixed.	Remediation error
Industry wide CHAPS outage	18/07/2024	4 hrs 15 mins	Payments	CHAPS payments experienced processing delays, they were all paid the same day.	Third party change
External Global IT Outage (CrowdStrike)	19/07/2024	8 hrs	Insurance Pensions & Investments servicing	Insurance and pensions telephone lines were unavailable and online services had intermittent disruption.	Third party software Issue
Group impacting IT Issues	02/09/2024	4 hrs 32 mins	Internet banking	Customers were unable to view statement transactions when using internet banking. However, it	Software issue

				was otherwise operational.	
			Branch	Some customers experienced issues when completing transactions at branch counters. ATMs, deposit machines and Post Office services were all still available.	
Third party supplier data centre connectivity issue	12/09/2024	5 hrs	Merchant services	Client merchant terminals experienced some challenges processing transactions.	Third party software Issue
			Credit card	Customers were unable to use general credit card management. In addition, a small number of credit card payment transactions were declined.	
Intermittent core banking system issues	01/10/2024	1 hr 45 mins	Internet banking	Historical transaction information was unavailable.	Planned change
			Open banking	Customers experienced intermittent issues accessing their financial data, and when making payments.	
			Branch	Some customers experienced issues completing transactions at branch counters. ATMs, deposit machines and Post Office services were all still available.	
			Telephony	Customers not able to obtain account balances and transaction information.	
Inbound and outbound payment delays	03/02/2025	7 hrs 15 mins	Payments	Customer standing order payments were delayed but processed the same day. Inbound faster payment requests took longer than normal to process.	Software issue