

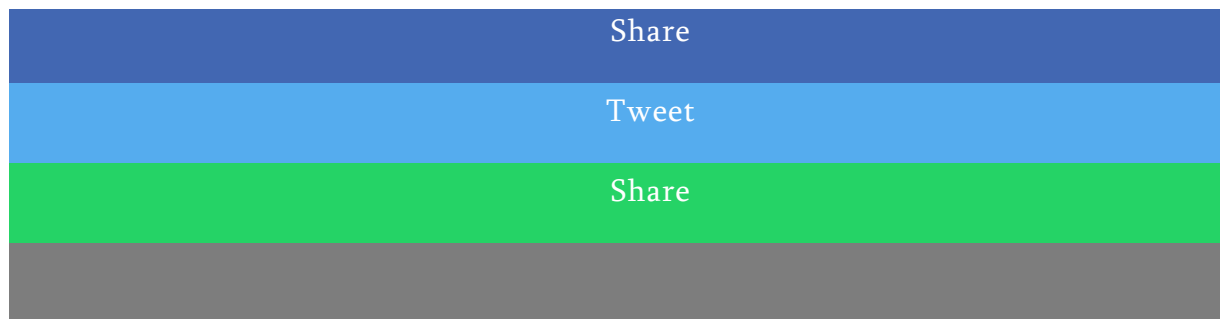
<https://www.freemalaysiatoday.com/category/business/2018/11/17/probe-lloyds-chief-over-whistle-blower-police-commissioner-says/>

Probe Lloyds Chief over whistle-blower, police commissioner says

The bank says the whistle-blower's report was provided to regulators and the police in 2014.

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António Horta Osório, Chief Executive of Lloyds Banking Group. (Bloomberg pic)

LONDON: A police commissioner is urging UK prosecutors to probe Lloyds Banking Group Plc's executive directors, including its chief executive officer, for withholding a whistleblower's report from the board in 2014.

Antonio Horta-Osorio, who took the helm in 2011, didn't immediately flag that he received an extensive document in early 2014 stating that fraud at the bank's HBOS unit was concealed, according to Anthony Stansfeld, an elected official who provides police oversight

in the Thames Valley region west of London. His comments follow a meeting with the Serious Fraud Office this month.

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The report, which was written about five years ago and only made public last summer, claimed that some HBOS executives hid the fraud at a branch in southern England before Lloyds acquired the bank at the peak of the financial crisis. It also said that Lloyds had evidence of the incident in late 2008, but didn't disclose details to its shareholders.

"It's concerning that the report was not shown by executive directors to their own chairman or non-executive directors for a further three years," said Stansfeld. "It should be the object of a full-scale criminal investigation." The report, written in 2013, was sent to the lender's chairman by Stansfeld in 2017.

Stansfeld met Lisa Osofsky, director of the SFO, in a meeting he described as "constructive." The SFO declined to comment.

UK police commissioners like Stansfeld are responsible for overseeing how crime is tackled by individual forces.

A lawmaker who co-chairs the all-party parliamentary group on fair business banking told Bloomberg later on Friday that he will be sending a letter to Lloyds questioning the bank on the issue and is weighing a request for a parliamentary enquiry into the affair.

'Serious questions'

"Horta-Osorio has very serious questions to answer here — Lloyds tried to discredit the whistle-blower and went into denial," said Kevin Hollinrake, the member of parliament. "The approach of the bank was to suppress the evidence. If this is proved, that could have changed the course of the events" of the Lloyds-HBOS takeover, he said.

Thames Valley Police, the largest non-metropolitan force in England and Wales, previously investigated and convicted several people linked to HBOS over a scheme that syphoned

millions from ailing businesses and eventually cost the lender around 250 million pounds (US\$320 million).

Lloyds said it wasn't aware of a similar investigation by the SFO, adding that it would "of course assist it were one to be launched." The bank said the whistle-blower's report was provided to regulators and the police in 2014. It also said its board received updates on the situation at HBOS's Reading branch during investigations that started in 2009 and 2010.

The police investigation into the HBOS scandal led to the convictions in February 2017 of six individuals for fraud and money laundering. The National Crime Agency launched a criminal probe and the Financial Conduct Authority is also investigating HBOS and the extent of its executives' knowledge of the fraud, the Financial Times reported in July. The SFO's mandate is to investigate and prosecute cases of serious or complex fraud.

"Given its scale and severity and the number of victims affected, the HBOS-Lloyds scandal is the very definition of serious fraud," said Mary Inman, a partner at law firm Constantine Cannon. "I am mystified by the failure of both the SFO and the FCA to take any meaningful enforcement action."

The whistle-blower, who was identified as Sally Masterton, a former risk officer, left Lloyds in 2014. The parties agreed to a financial settlement for an undisclosed sum.

HBOS was the subject of one of the most controversial episodes of the financial crisis: the state-brokered takeover by Lloyds and a 20.3 billion-pound taxpayer bailout.