

Richard Meddings
Chairman



Rt Hon Nicky Morgan MP
Chair, Treasury Select Committee
House of Commons
Westminster
London
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TSB Bank plc
20 Gresham Street
London
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20th June 2018

Dear Nicky,

Further to my initial reply to your letter of Thursday 7th June, I wanted to respond to the other points you raised and also address the two issues referred to in your e-mail of Monday 18th June concerning the IBM presentation and the issue of compensation for TSB customers who have been affected by the recent IT issues.

All of us at TSB fully recognise the distress and concern that our customers have experienced as a result of the recent IT migration. Our absolute focus is on resolving these issues and ensuring that every customer who has been affected is compensated properly.

As set out in my immediate response on 7th June, I want to make clear again on behalf of the TSB Board, that TSB has made good progress in resolving the recent IT issues and TSB is now functioning at, or close to, normal for the majority of TSB customers. We recognise that we still have areas where we need to improve performance for our customers and we do not underestimate the importance of resolving the remaining issues as soon as possible. Importantly, this progress has been achieved under the leadership of Paul Pester, who continues to have the full support of the TSB Board.

We understand the Committee's interest in TSB's IT migration, given the scale of the challenges which have arisen. Our aim throughout has been to engage fully with the Committee and make every effort to respond in detail to requests for information, whilst continuing to focus on resolving the ongoing issues for our customers.

In relation to the wider points you have raised, Slaughter & May have begun their independent review, which, as I explained to the Committee, we will publish save only that we would redact commercially confidential information before the review is published.

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The Board has asked Slaughter & May to work as expeditiously as the process allows, whilst also respecting the corresponding work of the FCA and PRA, so that the Bank can learn from, and act on, its findings.

I also want to make clear again the belief of the TSB Board that communications to customers and the Committee have been made in good faith based on information available in a complex and often fast-developing situation. TSB, and Paul in particular, have tried to be as open as possible in engaging with the Committee, addressing a wide range of questions, often asked without prior notification and whilst the issues were still emerging and in their earliest stages.

As Paul explained at the recent hearing, we apologise if at any time anything which has been said subsequently turned out to require further clarification, or which you feel could in any way be deemed to be misleading. Reflecting on the detailed points you identified in your letter, they do not necessarily, in our view, represent the full context or content of what was communicated at the time. The concern, as always, is that when extracting particular sections or statements from longer answers or letters, there is a risk that they do not reflect the full context of what is being communicated. I would be more than happy to discuss this further in person. As the FCA has also commented in their correspondence with the Committee: *"The FCA has no reason at this time to believe that TSB intentionally made misleading or incorrect statements to the Committee."*

The Board completely agrees with you on the need for clear, open, fair and accurate communications about these issues, and we will continue to seek to ensure that all TSB communications will be transparent and are representative of the best available information at that time.

In your letter and email, you raised the issue of customer complaints and TSB's approach to compensation. The Board of TSB understand your comments, both in your letter, and at the recent hearing, about the importance of getting this right. The Board agrees that in the interests of every customer who has been affected we need to resolve every complaint as speedily as we can.

As of the 18th June, TSB has received 107,846 complaints. Of these, the bank has resolved 31,392 or around 29%. To put the volume of complaints into context, in the whole of 2017 TSB received just under 76,000 complaints.

Against this backdrop, TSB needs to combine the desire for speed with the need to ensure that each of these complaints is considered and resolved properly in line with regulatory obligations. The management team are engaging closely with the regulatory authorities, in particular the FCA, about our programme to achieve this.

To address the volume of complaints which have been received, TSB has now added 105 additional complaint handlers to the 54-person pre-migration team. This includes additional specialist business banking complaint handlers. A further 45 complaint handlers will also join over the coming weeks.

To add still further resource, the bank appointed Deloitte, who were originally engaged to advise on the compensation framework, as its managed service provider for redress, and through them TSB will accelerate a process to add up to 225 additional complaint handlers from July.

Accelerating the process for resolving all complaints remains a central focus for the Board and I want to be clear that we absolutely recognise that there is more to do beyond adding additional resource.

Since the recent TSC hearing, we have also listened to further feedback from our customers, as well as from the Committee, and from the FCA and Financial Ombudsman Service, and made two consequential changes: first, to increase the minimum threshold of compensation offered to customers who have suffered distress and inconvenience, which has resulted in a doubling of the initial minimum threshold for compensation; and second, to waive the industry standard six-month time limit for customers to make a complaint in relation to any issues experienced as a result of the migration.

Finally, I have attached with this letter an unredacted soft copy of the IBM presentation as requested.

In sharing these slides, let me reiterate the concerns we expressed to you last week, namely that after considering this matter, and in consultation with IBM, we would prefer for this document not to be published. Without proper context we are concerned that this document could be misinterpreted to the detriment of TSB and its customers. This opinion reflects the fact that the slides were prepared by IBM after only three days' work with TSB. As such, they represent working hypotheses and lines of enquiry rather conclusions. The content is therefore now very much out of date.

You will see in the soft copy attached with this letter that in consultation with IBM a note has been added to every page making clear that *"This document was produced by*

IBM for presentation to the TSB Board on 29 April. It contains a preliminary work plan with very early hypotheses, produced after just three days of engagement with TSB. These hypotheses were not final nor were they a validated view of what went wrong or of the actions that may or may not subsequently have been taken."

I am pleased that you would be happy to have further discussions in the future. As I have mentioned in my previous correspondence, I am more than happy to meet at any place or time that would be most convenient and will do everything possible to work around your diary commitments. I do firmly believe that such a meeting would be of help.

In the meantime, please do not hesitate to contact me directly if you wish to discuss any of the points in this letter.

Yours sincerely

A handwritten signature in cursive script that reads "Richard Meddings".

Richard Meddings,
Chairman, TSB Bank plc