

15th March 2017

All Members Newsletter

# Bonus Awards 2017

**This year the Bank is reducing annual bonus payments again by 19%, with minor variations between business units.**

The exact details of how the divisional bonuses have been calculated and the on-target levels they will deliver are set out in the table shown further on in this newsletter. The actual awards for staff, broken down by grade and performance rating, are available from the Union's Bedford Office.

## PPI Debacle Continues

The Collective/Discretionary Adjustment for 2016 reflected more provisions for PPI mis-selling and other conduct related problems.

The FCA has now said that customers seeking compensation over mis-sold PPI will have to make their claims before 29th August 2019. The FCA has also confirmed that some bank customers will have new grounds to complain if they were not made aware of commission being paid when they were sold PPI. This follows a Supreme Court judgement in November 2014 - what has become known as the Plevin decision - which extended the definition of mis-selling.

**The Bank's unutilised PPI provision at the end of 2016 was £2.3 billion but further provisions will have to be made, in addition to the £350 million announced last week, once the FCA's public awareness campaign gets underway. The Bank's assumptions about PPI provisions have been consistently wrong since day one. And that means staff in the Group's Annual Bonus Scheme are going to see their bonuses**

**reduced again next year and the year after that.**

In 2016 the three Executive Directors of the Group received 55% of their maximum long-term incentive plan (LTIP) awards, which were worth £3.2 million. We appreciate that these awards were significantly less than what the Executive Directors received in 2015 but that was because of share price underperformance, failure to achieve the cost: income and SME lending targets. What staff will find difficult to understand is why conduct risk issues are not taken into account when awarding long-term incentive awards, which even in bad years can still be very lucrative.

## Bonus Awards

Now that the actual bonus ranges have been published many staff are concerned about the amount of discretion Line Managers have been given when making bonus awards. The size of the bonus pot is based on an expected distribution of performance ratings, not actual performance ratings, so those Line Managers who have given more 'Strong' ratings than the distribution curve allows will have to take that money from elsewhere. **That invariably means 'Good' performers at Grade D and above getting less. It's also the case that two members of staff with the same performance rating could get wildly different bonus awards. In Retail for example, a member of staff with a 'Good' rating could get 7% but a colleague with a similar rating in the same office could get 20%. That doesn't feel just or equitable.**

**To Get LTU Newsletters By Email Either:**  
phone 01234 262868, email us at 24hours@ltu.co.uk or text your  
email address after the words 'LTU News' to 66777

Those members who receive bonus awards less than the on-target level (Grade D 10%, Grade E 15%, Grade F 20% and Grade G 25%) should consider whether it's worth taking out a grievance. Members who would like to discuss their bonus awards should email us at [24hours@ltu.co.uk](mailto:24hours@ltu.co.uk).

## **BBC & IBM Pension Cases**

Members will recall from previous Newsletters that the High Court concluded that the BBC (Bradbury vs British Broadcasting Corporation) was entitled to impose a 1% cap on increases in pensionable pay through the mechanism of the member's pay awards and that its actions did not amount to a breach of the implied duty of trust and confidence which arises from an employee's employment contract. Mr Bradbury's case was dismissed in May 2015. Mr Bradbury appealed the High Court's decision and the Court of Appeal heard his case on Tuesday, 28th February 2017. The case lasted a few days and the judgement will be delivered in the middle of

the year. Whatever the outcome of the Appeal, the case will probably go to the Supreme Court.

Members will also be aware of the IBM case, which covered many of the same issues in the BBC case, in which the High Court ruled "that IBM UK was in breach of the implied duty of good faith, and its contractual duty of trust and confidence, owed to members in relation to decisions taken as to the future of its DB pension plans in 2008/9". The High Court also ruled that members of the scheme were entitled to damages and equitable remedies. IBM appealed and that case is due to be heard in the Court of Appeal in May.

LTU has two cases with the Pensions Ombudsman and those will be determined once the BBC and IBM cases have been finally decided.

Mark V Brown  
**General Secretary**

**LBG group bonus analysis 2017 on next page.**

**To Join LTU Either:**

phone 01234 262868, email us at [24hours@ltu.co.uk](mailto:24hours@ltu.co.uk) or text the words 'LTU Join' to 66777

# LBG GROUP BONUS ANALYSIS 2017

GROUP	DIGITAL	RETAIL	GROUP OPS	CON FINANCE	INSURANCE
Rating	STRONG	STRONG	STRONG	STRONG	STRONG
Group Financial Performance	1.22	1.22	1.22	1.22	1.22
Business Area Performance	1.30	1.30	1.25	1.30	1.20
Collective/Discretionary Adjustment	0.82	0.82	0.82	0.82	0.82
Overall Modifier	<p>2016 RATING + GROUP PROFIT = BONUS MULTIPLIER</p> <p><math>\frac{1.30 + 1.22}{2} = 1.26</math></p> <p>BONUS MULTIPLIER x DISCRETIONARY ADJUSTMENT = BONUS OUTCOME</p> <p><math>1.26 \times 0.82 = 1.03</math></p>	<p>2016 RATING + GROUP PROFIT = BONUS MULTIPLIER</p> <p><math>\frac{1.30 + 1.22}{2} = 1.26</math></p> <p>BONUS MULTIPLIER x DISCRETIONARY ADJUSTMENT = BONUS OUTCOME</p> <p><math>1.26 \times 0.82 = 1.03</math></p>	<p>2016 RATING + GROUP PROFIT = BONUS MULTIPLIER</p> <p><math>\frac{1.25 + 1.22}{2} = 1.23</math></p> <p>BONUS MULTIPLIER x DISCRETIONARY ADJUSTMENT = BONUS OUTCOME</p> <p><math>1.23 \times 0.82 = 1.01</math></p>	<p>2016 RATING + GROUP PROFIT = BONUS MULTIPLIER</p> <p><math>\frac{1.30 + 1.22}{2} = 1.26</math></p> <p>BONUS MULTIPLIER x DISCRETIONARY ADJUSTMENT = BONUS OUTCOME</p> <p><math>1.26 \times 0.82 = 1.03</math></p>	<p>2016 RATING + GROUP PROFIT = BONUS MULTIPLIER</p> <p><math>\frac{1.20 + 1.22}{2} = 1.21</math></p> <p>BONUS MULTIPLIER x DISCRETIONARY ADJUSTMENT = BONUS OUTCOME</p> <p><math>1.21 \times 0.82 = 0.99</math></p>
On Target Earnings	<b>103%</b>	<b>103%</b>	<b>101%</b>	<b>103%</b>	<b>99%</b>

**To Join LTU Either:**

phone 01234 262868, email us at 24hours@ltu.co.uk or text the words 'LTU Join' to 66777

**To Join LTU Either:**

phone 01234 262868, email us at 24hours@ltu.co.uk or text the words 'LTU Join' to 66777