Lloyds Trade Union
NEWS

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Data Centres Going To IBM

In a previous Newsletter LTU reported that Lloyds Banking Group was on the verge of signing an agreement to outsource its Data Centres to IBM.

We said:

> "Jacqueline Guichelaar, CIO of infrastructure and Technology services at Lloyds, is desperate to push ahead in outsourcing these critical services to IBM".

We also highlighted the fact that a number of Senior Managers and Heads of Functions had serious doubts about these critical systems being outsourced to a third party but that those voices of reason were being ignored by a management team determined to cut costs.

In response to our Newsletter, Morteza Mahjour, Chief Information Officer, said in a note to staff:

> "Cloud technology is intended to deliver highly scalable technology on demand aims to transform our architecture to be more agile and kept up to date. It is being adopted and exploited by our competitors and the industry and we believe it can provide the same benefits for Lloyds Banking Group".

He then says, having all but confirmed the worst kept secret in the Bank and doing the exact opposite of what he no doubt intended, "We do not comment on speculation".

Unless this deal is stopped by the GEC, our expectation is that the move to IBM will be announced shortly, probably at the same time as the next round of redundancies. Last year the Bank said that it was looking to reduce staff numbers by a further 3,000 by the end of 2017, and that was in addition to the 9,000 it announced a few years ago. So members can expect a flurry of activity over the next few weeks and months as the Bank seeks to meet its target before the end of the year. We then have the prospect of the Bank announcing the results of its next Strategic Review with more redundancies being announced.

The Bank has also said that it would be looking to reduce the size of its non-branch property portfolio by 30% by the end of 2018. We understand that the Bank has identified 14 offices in London which can be closed and staff moved to alternative sites. That's inevitably going to put more pressure on all staff. Getting a desk at work is a daily struggle for most staff these days and that's only going to get worse. We will cover this more in one of our next Newsletters.

MBNA & Competition Rules

When the Bank announced its takeover of MBNA, in a deal worth £1.9bn, we said: "At a time when competition in banking is under the spotlight like never before and when the economy is going through a period of uncertainty, to have such a concentration in two banks does nothing for competition in this important market. Equally, the idea that because MBNA and Lloyds will be kept separate, just look at what's happened to the

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management of the Bank of Scotland, that is going to foster competition is patent nonsense". If the deal goes ahead LBG's share in the credit card will increase from 15% to 26%.

In a letter to MPs and the regulatory authorities we said:

"........the takeover will mean that the two largest firms in this market – LBG and Barclays – will have more than 50% of the credit card market between them and we think such a concentration is not in the long-term interests of consumers or the wider economy. In 2015 the FCA published its Credit Card Market Study in which it said "The market is moderately concentrated but there has been new entry in recent years". The acquisition of MBNA by LBG will increase market concentration significantly. We estimate the market concentration using the Herfindahl-Hirschman Index (HHI) has increased significantly since the FCA review in 2015. The Office of Fair Trading's Merger Assessments Guidelines (September 2010, OFT1254) indicates that a market with an HHI exceeding 1,000 may be regarded as concentrated. The increase in HHI since the last review was conducted should cause the regulatory authorities to revisit their market concentration analysis to ensure that the credit card market, post the LBG/ MBNA takeover, is working in the best interests of customers and the wider economy".

The takeover is only viable financially because Lloyds believe MBNA's cost base can be slashed by 30%, or £100 million, per year. LBG has a large Group Operation building in Chester and when the Bank talks about property consolidation in the context of this takeover, it really means moving everyone into one building.

We will keep members informed of any developments.

Mark V Brown
General Secretary