

3rd February 2017

All Members Newsletter

# Data Centres Going To IBM?

**Lloyds Banking Group is on the verge of signing an agreement with IBM to outsource its Data Centres.**

We understand that Jacqueline Guichelaar, CIO of infrastructure and Technology services at Lloyds, is desperate to push ahead in outsourcing these critical services to IBM. These crucial systems underpin the Bank's major Payment, Treasury Trading, Settlement and Digital Services; which means the Bank would be handing over its Crown Jewels to a third party to support and manage! Lloyds is pushing very hard for this deal to be signed within the next few weeks.

**We're told that various Senior Managers and Heads of Function have outlined significant concerns but these have been ignored, with the comment that people at LBG are averse to change.**

Under the transfer agreement IBM would buy the assets from LBG and then charge a management fee for running the centres. It's similar to the buy and lease back arrangements Lloyds put in place years ago when it sold off its buildings in a bid to boost its share price. The staff in the main Data Centres in Copley, Pudsey, Peterborough and in some of the ancillary centres across LBG would be transferred to IBM under the TUPE Regulations. That number could well run into hundreds of staff depending on the details of the exact agreement reached between LBG and IBM.

## TUPE Regulations

The Transfer of Undertakings (Protection

of Employment) Regulations 2006, known colloquially as TUPE, are an important part of UK law which protect employees whose business, or part of the business they work in, is being transferred to another company. The regulations' main aim is to ensure that, in connection with the transfer, employment is protected. However, one of the many drawbacks of the legislation is that when it comes to terms and conditions of employment it only protects those elements which are contractual. It's down to hard headed negotiations to protect those elements of the employment package that are deemed to be non-contractual. Although, what the Bank considers to be non-contractual may be different to what we consider to be non-contractual.

IBM Global Business Services is a leading outsourcing company and was incidentally involved in one of the first ever undertaken in Lloyds Bank. At the time, LTU managed to get Lloyds staff into the IBM DB Pension Scheme.

## Key Issues

There are a number of key issues which IT staff will need to think about and consider, namely;

- **Contractual Terms will automatically transfer intact to IBM and cannot legally be varied for two years or for any "reasons connected with the transfer".** However, once two years has elapsed, IBM could try to make contractual changes - something we have encountered from other companies to whom the Bank has previously forced staff to transfer.

**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

- **Non-Contractual Terms - and these include Pensions, Bonuses, Flex Scheme, etc - are not, however, protected by TUPE and IBM does not have to replicate the Bank's arrangements.** Staff face huge losses unless these benefits are protected by IBM.
- **The Pension Scheme likely to be offered by IBM will be inferior to that provided by the Bank and, as a consequence, will leave staff substantially worse off.**
- **Over the last 18 months we have seen that the compensation payments being offered to staff for loss of pensions and non-contractual benefits have been significantly less than offered to staff during previous TUPE transfers.** Furthermore, what was being offered will in most cases barely cover the losses staff face over the first 12 months after they transfer.

If IBM choose to buy this business then they need to understand that we will be looking for substantial compensation. Time and time again, Accord and Unite have simply rolled over and accepted the first offer on the table. That's not going to be acceptable.

- **We've seen with some previous deals that the Bank's Severance Terms have only being protected for two years, after which time the new employer may attempt to make staff redundant using the Statutory Redundancy terms. That's not going to be acceptable to LTU.**

We will keep members informed of any developments but in the meantime members with any questions on this Newsletter can email us at [24hours@ltu.co.uk](mailto:24hours@ltu.co.uk).

**Mark V Brown**  
General Secretary

**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