

7th July 2017

All Members Newsletter

Are The Severance Terms Contractual?

The issue of whether the Bank's severance terms are contractual or non-contractual has come up in a number of legal cases LTU has been involved in over the years. The Bank's Job Security Policy makes it clear that the enhanced redundancy terms for HBOS staff employed before 1st January 2012 "are non-contractual and are in effect until 31st December 2017". In respect of Lloyds heritage staff, the Bank's Job Security Policy is silent on whether the severance terms are contractual and nor does it set out a date for the expiration of the terms. Whether the terms are contractual or non-contractual is very important in the current climate. If there is ambiguity the Bank can simply say in any legal dispute that the terms are non-contractual and the member of staff is not entitled to the enhanced severance terms. But if the Lloyds terms are contractual and there is no end date, then members of staff are entitled to those terms whether they are made redundant next year or the year after that. And let's not forget, the Bank is due to announce the results of its next strategic review in February 2018 and that's inevitably going to result in more job losses and more branch closures. That's why the issue is important. Equally, we are aware of mutterings that the Bank is planning to do away with the severance terms for heritage Lloyds and HBOS staff

at the end of the year.

In previous correspondence with a member of LTU, Rebecca Priestly, the current HR Director Policy, Employee Relations & Conduct, when asked whether the heritage Lloyds Bank severance terms were contractual, avoided answering the question directly and said:

"if the Lloyds terms are contractual and there is no end date, then members of staff are entitled to those terms whether they are made redundant next year or the year after that"

"Whether or not these terms are contractual or non-contractual is a **legal question [LTU emphasis]**, and you would need to take advice on your individual situation....".

Ms Priestly did say that the heritage Lloyds severance terms would continue to apply until the end of 2017.

Now let us fast-forward a few months. The 500 Lloyds staff who are being forced to move across to IBM on 1st

September 2017, and whose jobs will eventually be offshored to India, with the support of Accord and Unite, have been told by the Bank that "For Lloyds.....heritage colleagues severance terms are contractual and are therefore protected under TUPE regulations". (Colleague Briefing Pack, 6th June 2017)

So, on the one hand you have the Head of Employ-

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ee Relations refusing to say whether the Lloyds heritage severance terms are contractual, even though we think she knows they are, and on the other hand Group IT is quite willing to tell heritage Lloyds staff transferring to IBM their terms are contractual. If the Lloyds heritage severance terms are contractual, and we believe they are they are, then do they expire at the end of 2017? The policy setting out how the enhanced severance terms are calculated for heritage Lloyds staff makes no reference to an end date unlike the HBOS terms. In light of what the Bank has said to IT staff transferring to IBM, it's important that staff in other parts of the Bank are reassured that their severance terms are contractual and can't simply be changed by the Bank whenever it wants. We will be writing to members shortly enclosing a letter for them to send to the Group People and Productivity Director asking her to confirm the legal position on this important issue. In the meantime, members with any questions can contact the Union's Bedford Office on 01234 262868 or email us at 24hours@ltu.co.uk.

LBG Pension Liabilities shrink by £2.4bn

Mercer, the professional services group, has calculated that about £50bn has been paid to 210,000 members of company-backed defined-benefit pension schemes since April 2015. The record transfer value offers being offered by pensions scheme to those members willing to give up their future pensions and the 2015 "pension freedoms", which gave over 55s flexibility to spend their defined contribution pension funds as they wish, with no requirement to buy an annuity, is resulting in large numbers of members asking for transfer valuation

quotes.

It's difficult to calculate how much money is being transferred out of the LBG pension schemes but based on the number of members contacting the Union since the beginning of the year, and the average value of the transfer value quotes we have seen, we estimate that £100 million is being transferred out of the LBG Pension Schemes every month. If that continues at the same rate, we estimate some £2.4bn will have been transferred out of the Lloyds Bank Pension Schemes over the last two years. And transfer activity could increase given that the Financial Conduct Authority (FCA) is proposing to drop its guidance that advisers "should start from the assumption" that transferring money out of DB pension will always be "unsuitable".

Another issue we have to contend with is the fact that the new administrators of the Bank's pension schemes, Willis Towers Watson, just can't cope with the volume of work. Quotes are still taking too long to produce and members and their advisers are having wait to 3 or 4 weeks and in some cases months for responses to their questions. That's not sustainable. We appreciate that the volume of correspondence from members is unprecedented but Willis Towers Watson should have factored that in when taking over the business. The Trustee, who is ultimately responsible for the administration of the Scheme, needs to get a grip of this issue and sort it out immediately. If the administrative chaos continues then we will refer the issue to the Pensions Regulator for them to sort out.

Mark V Brown
General Secretary

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