CRANSTON REVIEW APPEALS PROCESS

COMPENSATION FOR DISTRESS AND INCONVENIENCE

Distress and Inconvenience ("D&I") compensation offers made by Lloyds Banking Group ("the Bank") after the closure of the Customer Review on 03 May 2019 are eligible for appeal via the Cranston Review Appeals Process.

Any customer who is not content with the Bank's final decision in relation to distress and inconvenience compensation made after 03 May 2019 is entitled to appeal that decision to Rory Phillips QC.

This appeals process forms part of the Bank's work following the publication of the Cranston Report in December 2019 and a second report produced by Sir Ross Cranston in April 2020, which focused on the implementation of the Cranston Report's principal recommendations.

In overseeing the appeals process and deciding the appeals, Mr Phillips will act independently of the Bank.

The procedure for these appeals will be as follows.

Time limit for making an appeal

1. If a customer wishes to appeal the Bank's decision, the customer must do so within 28 days of notification by the Bank of the appeals process. Within that time limit, the customer:
   (1) must notify the Bank and Mr Phillips of his/her intention to appeal the decision;
   (2) may, if they so wish, submit any information or documents which the customer would like Mr Phillips to take into account in support of their appeal; and
   (3) must confirm to the Bank and Mr Phillips that they have no objection to the Bank contacting other directors in the customer's business who participated in the Customer Review ("the Comparative Director").

2. Contact details for the appeals process will be provided to the customer when the Bank issues its final decision on the customer's complaint.

Request for consent from the Comparative Director

3. Where:
   (1) a customer notifies the Bank and Mr Phillips of his/her intention to appeal; and
   (2) confirms that they have no objection to the Bank contacting the Comparative Director,
   the Bank will, within 7 days of the customer's notification, contact the Comparative Director to seek their consent for the use of the information they provided to the Customer Review and details of their Customer Review outcomes as part of the appeal process.

Relevant documents and information

4. Within 7 days of notification from the customer that they intend to appeal, the Bank must provide Mr Phillips with all documents and information which it considers relevant to the appeal.

5. Where a Comparative Director consents to the use of the information they provided to the Customer Review and details of their Customer Review outcome, the Bank will send Mr Phillips the relevant comparative information as soon as reasonably possible, together with written confirmation of the Comparative Director's consent.

6. If Mr Phillips considers that there are any gaps in the material provided to him, he may request further documents and/or information from the Bank or the customer, as he sees fit.

The decision-making process

7. Mr Phillips will be assisted in the decision-making process by a team comprising:
   (1) Simon Kirkhope of FTI Consulting LLP, and members of his team; and
   (2) barristers from 3 Verulam Buildings.

8. Once Mr Phillips has received the material referred to in paragraphs 3 and/or 4 and/or 5 and/or 6 above, he and his team will consider it and, on the basis of that material, Mr Phillips will undertake an assessment of the fairness of the Bank's decision.

9. In their work on each appeal, Mr Phillips and his team will have regard to the Cranston Report and Sir Ross' recommendations and, where appropriate, to the following in particular:

   (1) the analysis in the Cranston Report at:
      (i) paragraphs 15.23 to 15.30 (regarding the methodology for compensation for distress and inconvenience);
      (ii) paragraph 15.37 (which confirms that the distress and inconvenience assessment matrix should be applied to customers who were actively involved in the running of the business at the time it was in 'IAR');
      (iii) paragraph 15.38 (which confirms that in undertaking the distress and inconvenience assessment, where the customer is a spouse or partner of a director of the business, the approach adopted by Professor Griggs should be applied);

   and

   (2) recommendation 1.3 of the Cranston Report (which states that where an individual is a spouse or partner of another director of the business, in the absence of evidence to the contrary, the Bank should consider each of them to have suffered the same or similar distress.)

   and

   (3) the need to ensure that newly assessed customers are not treated less favourably than those who received compensation from the Bank for distress and inconvenience during the Customer Review process.

10. The decision on each appeal will be made by Mr Phillips.

The Decision on Appeal

11. If Mr Phillips concludes that the Bank's decision is fair, that is the final decision, and is binding on both the Bank and the customer.

12. If Mr Phillips concludes that the offer of compensation is not fair, then the following process will be followed:

    (1) The parties will be notified of this decision in writing.

    (2) The Bank will be directed to re-calculate the compensation offer within 14 days.

    (3) Mr Phillips will assess the fairness of the re-calculated offer in accordance with paragraphs 7-10 above.

    (4) If Mr Phillips concludes that the re-calculated offer is fair, that is the final decision on the appeal and shall be binding on both the Bank and the customer.

    (5) If Mr Phillips concludes that the re-calculated offer is still not fair, then the steps contained in paragraphs 12 (1) – (3) above will be repeated, as necessary.