

Revealed: 4 MILLION Lloyds customers handed payouts for litany of blunders

- Bosses launch hunt for the mole who leaked figures on full toll of compensation
- Lloyds owed about £770m to 4.37m people at the end of August
- Profits are still being weighed down by poor treatment of customers

By [Helen Cahill For Mail On Sunday](#)

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Lloyds has launched an internal investigation into a leak that reveals a mountain of compensation claims at the bank.

Documents seen by The Mail on Sunday show Lloyds owed about £770million to an astonishing 4.37million people at the end of August – equal to around one in seven of its 30 million customers.

This was on top of payouts earmarked for mis-sold payment protection insurance.



Apology: Lloyds chief executive Antonio Horta-Osorio, with his wife Anna

The figures dwarf official complaints data, which show Lloyds received one million new gripes in the first six months of the year.

The bank said it had since paid compensation to the ‘vast majority’ of those affected.

However, a spokesman refused to reveal how many new redress cases have been added to the pile over the past three and a half months.

The leaked document identified a range of at least 19 outstanding problems at the end of August, including: botched affordability checks on loans, violated promises to freeze interest payments, wrongly rejecting PPI claims, failing to execute wills correctly, wrongly declaring customers were deceased and failing to link mortgage and home insurance payments made by the same customers.

City sources said bosses are extremely embarrassed that the true scale of the misconduct issues facing the bank has come to light only days after chief executive Antonio Horta-Osorio apologised for failing small businesses who were mis-sold loans.

The Portuguese boss has staked his reputation on cleaning up Britain’s largest bank. Analysts and investors have speculated that he will leave his post within the next few years, having been in charge since 2011.

But the document, leaked from the Lloyds Group Rectification Forum by an unidentified mole, shows profits are still being weighed down by poor treatment of customers.

The bank uses the Rectification Forum to assess the ‘harm’ it has done to customers. The panel meets regularly to discuss new problems, how many people are affected and how much it must pay in compensation. It also calculates a running total of the number of customers owed redress. This figure is reported to the board and regulators but never made public.

The document from August showed the number of cases where compensation was owed was rising instead of declining as it paid out to those affected.

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Lloyds owed redress to 3.97million customers at the end of 2018. It then handed payments to 2.58million customers. Yet it had amassed 3.54million new cases by the end of August.

Some of Lloyds’ most severe failings have hit its most vulnerable customers. It was set to pay out £219million to 631,000 customers after debt collectors failed to make sure their debt repayments would be affordable.

Lloyds also botched affordability checks on loans made to 857,922 customers, meaning it had to pay £174million in compensation.

And it continued charging interest to customers who had asked for a rate freeze because they had fallen into financial difficulties. The bank had to pay £32million to 517,328 customers.

Lloyds was also set to compensate 61,000 customers after it wrongly refused their claims for PPI. The bank told customers it did not have enough information on their policy to provide compensation. But it has since changed how it searches its databases and is handing out the repayments.

In addition, Lloyds is now finalising a review of customers affected by faulty automatic phone calls. It is thought that 64,434 customers underpaid on their mortgage and faced additional interest payments because the bank's automated phone system quoted incorrect figures.

Other issues included failing to distribute wills correctly, wrongly indicating on accounts that customers were deceased, and failing to set up correctly accounts with linked mortgage and home insurance payments.

The litany of conduct issues suggests that redress payments will continue to erode Lloyds' profits.

The bank issued a profit warning this year as its income was almost wiped out by a late surge in PPI claims. Its total bill currently stands at just under £22billion. But it also set aside an extra £600million for non-PPI payouts in 2018. Sources said the documents suggested these payouts could ramp up next year.

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Horta-Osorio last week apologised for failing to issue proper compensation to small business owners ruined by corruption in a rogue unit at the bank's Reading branch. An independent report by Sir Ross Cranston said its redress scheme had 'serious shortcomings'.

The bank expects to pay out up to £300million in redress a year.

Yesterday a Lloyds Banking Group spokesman said of the new mountain of claims: 'Undertaking a customer remediation is an exercise used by all banks to ensure fair outcomes for customers. It means that if we make an error, we address it and learn from how it happened.

'We always establish if and how our customers have been affected and if they are impacted we ensure they are fully compensated where appropriate. The vast majority of customers impacted by these have received letters and remediation.'