

ALEX BRUMMER: Lloyds banks on new frontiers as the mortgage market money tree fails to blossom

By [Alex Brummer for the Daily Mail](#)

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Past misdeeds continue to haunt Lloyds. Chief executive Antonio Horta-Osorio has rendered it a safe bank, but flushing payment protection insurance (PPI) out of the system in 2019 cost a further £2.5billion.

It also cut bonus payouts for all staff, including Horta-Osorio. One suspects he will get by on £4.7million, a 29 per cent reduction on the year before.

PPI may be fizzling out now that the claims deadline has passed. Final compensation for the fraud at HBOS's Reading branch is still pending following the publication of last year's independent report by law professor Sir Ross Cranston.



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It indicated that current management knew a great deal more about the Reading debacle than previously claimed.

The big problem for Lloyds is that in spite of its domination of the historic mortgage market, the money tree has failed to blossom.

A decade of ultra-low interest rates, together with unexpected competition, has stymied ambition.

An unexpected consequence of ring-fencing rules means that rivals Barclays and HSBC can no longer use domestic deposits to fund wholesale operations.

As a result, they have been pumping funds into the mortgage markets. This is great for house buyers but not for the bottom line.

Lloyds is a proxy for the British economy because of its scale. It may well benefit from the 'Boris bounce' in spite of coronavirus and worries about the shape of Britain's future trade relations with the EU.

Lloyds and the rest of the financial community no longer have to live with the yo-yo of parliamentary uncertainty.

Horta-Osorio has opened up two new paths to growth. The decision to link up with Schroders on wealth management is proving attractive for middle Britain.

Joint venture Schroders Personal Wealth saw a 21 per cent rise in new assets over the past year.

The second path is the digital bank. Lloyds' Single Customer View, which it describes as the largest digital bank in the UK, sounds a good start.

Whether it is a genuine competitor to Natwest's app-only bank Bo, Monzo and all the other start-ups with the most speedy computing and data analysis is hard to know.

The possibility of a serious erosion of the customer base is the greatest threat to the High Street banks.

After nine-plus traumatic years at Lloyds, it is not surprising there is speculation about Horta-Osorio's future.

Certainly chairman Lord Blackwell and the board would be remiss if they had not embarked on succession planning.