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BUSINESS COMMENTARY

Lloyds boss unseated by runaway PPI

Not all chief executives live up to the company motto. But that's what makes António Horta-Osório different. The Lloyds Banking Group boss has been "Helping Britain Prosper" for nine years — as the inventor of "people's QE".

It's what's otherwise known as the annual "charge" for PPI mis-selling: an activity at which Lloyds excelled, at least to judge by the near £22 billion the bank's doled out so far, including a well-flagged £2.45 billion at the [latest full-year results](#). Across Britain's banks the tally tops £50 billion, recycled into new cars, kitchens, holidays, endless stuff. It's created new jobs, too — in claims management companies. In short, a roaring success all round.

And who knows what might have happened if Mr Horta-Osório hadn't broken ranks with the rest of the industry in 2011 and declared PPI compo was the "right thing to do" — confident the cost to Lloyds would be £3.5 billion tops. A judicial review might have forced the banks to shell out anyway. But people will still thank him for jumping the gun in his quest to help Britons prosper.

Except for the shareholders, of course. Add the PPI cash paid out to Lloyds' near-£40 billion market value and the bank would be a third as big again. Instead, the shares have gone nowhere since Mr Horta-Osório took the black horse's reins in March 2011, despite yesterday's 1 per cent rise to 56½p. True, the government's 43 per cent stake has been sold. And add in £13.6 billion of dividends and buybacks and the total shareholder return is 12.3 per cent. But that's still not the greatest result for a man paid more than £56 million since taking charge — even if his wedge was cut by 28 per cent last year to £4.73 million.

With the claims deadline passed, at least investors can now cheer the probable end of PPI payouts. And that begs two questions: will Lloyds produce some decent shareholder returns and will Mr Horta-Osório be along for the ride? He says he will, despite potential job vacancies at both HSBC and Barclays. But what's the growth story?

Well, he spies "signs of an improving outlook" post the election. And despite a "challenging external market", Lloyds is seeing growth in mortgages, small business lending, current accounts, insurance and wealth management.

Yet, excluding PPI, underlying profits fell 7 per cent to £7.5 billion and next year's guidance is nothing stellar. Yes, the shares yield more than 6 per cent and Shore Capital reckons Lloyds has at least £1 billion "surplus" capital. But Mr Horta-Osório still has to prove he won't chiefly be remembered for two things: his pay and people's QE.