

Dame Sandra Dawson DBE
Chair, Remuneration Committee
TSB Bank Plc
5th Floor
20 Gresham Street
London
EC2V 7JE

3rd May 2018

Dear Dame Sandra

Executive Performance and IT Integration

I refer to my previous letter dated 15th February 2018 regarding the payment of integration bonuses to senior executives of TSB.

In that letter I said: "The migration plan was cancelled at the last minute because work on large parts of the new platform had not been completed on time, testing was still to be done and the testing that had been completed showed the system was not stable enough for customer role out". If you had taken due notice of our concerns regarding the migration of customers onto Proteo4UK, which were coming directly from members working on the project and involved in the testing, TSB's IT fiasco could have been avoided.

This embarrassment is now entering its 11th day, with thousands of customers still unable to access their accounts or make payments. Last week Paul Pester, Managing Director of TSB, said that he had appointed a team of experts from IBM to "get to the bottom" of the problems and gave a deadline of Saturday to find a solution. That deadline, like all the other previous deadlines from Mr. Pester, has been and gone, and up to a million customers still have no access to TSB's online banking service.

Last week Mr. Pester said that the branch network was open as normal but we now know, according to his letter to Rt. Hon. Nicky Morgan MP, Chair of the Treasury Select Committee, that was incorrect. By Friday, 27th April, the new counter technology was not functioning properly in 40% of TSB branches. In c. 60 TSB branches the counter technology was not functioning at all. On 27th April, Banco Sabadell, TSB's parent company, said when announcing its Q1 2018 results that: "From day one the Proteo4UK platform has provided the usual service to branches". How Banco Sabadell could make such a statement when they must have known that 4 out of 10 TSB branches were not providing the "usual service" to customers is beyond us. Equally, the factual accuracy of Mr. Pester's statements over the course of the last 11 days is no doubt something on which you will want to reflect.

Parts of the branch network are teetering on the brink of collapse with staff working 12-hour shifts without breaks to deal with disgruntled customers. Our members have had to deal with levels of abuse never seen before. The TSB brand, which our members have helped build over the last 4 years, is in tatters and customers are threatening to leave in their droves. It is quite simply the biggest IT disaster in British banking history and it could get worse over the next few days if IBM can't identify the problems and fix them.

The cost of this disaster, including the November delay, could be c. £150 million when you take into account compensation payments to customers, cancelling overdraft fees, increasing interest rates, fines from the Regulators, increased IT costs, the haemorrhaging of personal current account customers and lost future business. This is money

Continued overleaf

which TSB is never going to be able to recover. At the Treasury Select Committee hearing yesterday Mr. Pester said he would not take any bonus for completing the migration of customers. That is not good enough. Given the current shambles, neither Mr. Pester nor any member of the Bank's Executive Committee (BEC), should get any performance bonuses whatsoever for 2018. Furthermore, Sabadell Integration Awards granted in previous years to Mr. Pester and other members of the BEC should also be recovered. If the Remuneration Committee pay any performance bonuses to any member of the BEC then, as a shareholder, the Union will take legal action and your justifications for making such awards in the face of this botched IT migration will be subject to the scrutiny of the Court.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark V Brown', with a stylized, flowing script.

Mark V Brown
General Secretary