

Mr. Andrew Bailey
Chief Executive Officer
Financial Conduct Authority
12 Endeavour Square
London
E20 1JNa

6th December, 2019

Dear Mr Bailey

Slaughter and May Review

Slaughter and May were appointed by the TSB Board in July 2018 to carry out a review of the facts and circumstances leading up to the migration of customers from the Lloyds Banking Group IT platform to a new TSB platform. In a note to the Treasury Select Committee following clarifying issues raised at a meeting held on 6th June 2018, TSB said: "The final terms of reference need to be provided to and agreed with the PRA and FCA, who have already seen and commented on the initial terms that Slaughter and May are working to. Once the terms of reference have been settled, a copy will be shared with the Committee". The agreed Terms of Reference were subsequently sent to the Treasury Select Committee.

The scope of reference for the Slaughter and May review sets out what matters will be reviewed

"3. Scope of the Review

3.1 Slaughter and May will review the following matters:

(A) The background and events associated with the decision to migrate TSB's customer data to the new platform developed by SABIS.

(B) On the basis of third-party expert assistance and input, the circumstances of the IT issues, the implementation and oversight of the migration project, including the planning, testing and risk assessment, and the response to the IT issues.

(C) How any concerns and issues which were raised in respect of the migration project were escalated and addressed, and the consideration given to such concerns.

(D) TSB's developing awareness of these issues and the actions taken by it in response following the issues arising. This will include an examination of TSB's response, including its

communications of the issues to its customers and relevant regulators and any public statements made.

(E) Decision-making and governance procedures across TSB in relation to each of the above matters, including the procedures followed by key functions, Senior Management and the board. As part of this, Slaughter and May will consider TSB's policies, procedures and practices and consider decisions taken by TSB. This will include: (i) consideration of the information made available to key decision-makers, (ii) an assessment of relevant governance processes and how they were complied with, (iii) consideration of whether engagements with third parties were appropriately managed, and (iv) TSB's response to any issues raised by the FCA or PRA in relation to the migration.

(F) The interaction with Sabadell, Sabis, LBG, IBM and, where relevant, other suppliers in respect of the above matters”.

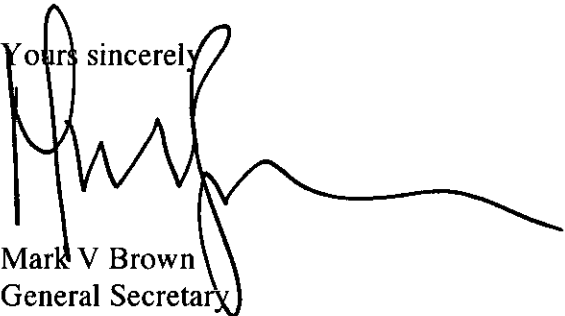
We have highlighted point F of the Terms of Reference, agreed by the FCA, which says that Slaughter and May will review all interactions between the main parties on all matters (covered in section 3.1 A-E) relating to the migration of customers to TSB's IT platform.

I should be grateful if you could answer the following questions:

- Was it your understanding based on the Term of Reference that Sabadell would participate in the Slaughter and May Review?
- Was the FCA made aware that Sabadell was refusing to cooperate with Slaughter and May before the publication of its report? If yes, when was the FCA made aware of Sabadell's position?
- In respect of the FCA's own investigation, is it your expectation that Sabadell and SABIS will take part in that investigation?
- Will Sabadell and SABIS be expected to provide the FCA with all information it deems necessary to carry out its investigation? If Sabadell, or SABIS, refuse to cooperate with the FCA investigation, what enforcement powers do you have, if any, to make them cooperate?
- On page 225 of the Slaughter and May Review it says: “Following discussions between TSB and the FCA and PRA in January 2019 it was agreed that our Review would not look in detail at the way in which TSB handled the matters which arose in the period following Go Live”. Given the interest in what happened following the migration from customer and elected politicians, why did the FCA agree to limit the Slaughter and May Review? Did you personally agree to the Review being limited in that way?

I look forward to your response which will be shared with the new members of the Treasury Select Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark V Brown', with a long horizontal flourish extending to the right.

Mark V Brown
General Secretary