



Treasury Committee

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Charlie Nunn
Chief Executive Officer
Lloyds Banking Group

Via email

1 March 2023

Dear Mr Nunn,

Thank you again for appearing before the Committee on 7 February.

Profits and net interest margins

Since the session, Lloyds Banking Group has reported:

- profits before tax of £6.9 billion in 2022 with profit before tax for the last quarter increasing by 17 per cent over the previous quarter,
- a net interest margin (a measure of the difference between the interest Lloyds Banking Group pays to savers and the interest it receives from borrowers) of 2.94 per cent, an increase of 16 per cent or 40 basis points, from 2.54 per cent in 2021.

The Bank of England has increased Bank Rate from 0.25 per cent in January 2022 to 4 per cent currently. However, the interest rate on the Lloyds 'easy saver' account for deposits below £25,000 is still only 0.65 per cent.

Our constituents may reasonably surmise that Lloyds has taken the opportunity of a rising Bank rate and a reluctance of customers to switch to increase net margins and profits. Please can you give details of how Lloyds determines how increases in the Bank rate are passed on to its savers, and why the interest rate on its 'easy saver' account is so much lower than the Bank rate.

Remuneration

We understand that you received total remuneration of £3.8 million in 2022. Please could you outline how, if at all, your remuneration is linked to (a) profits, (b) net margins, (c) performance of the savings business, (d) performance of the mortgage business.

Follow-up questions from the session

In addition, please could you respond to questions in the Annex of this letter, some of which were raised by Members in the session. We would be grateful for a response on these points by 13 March 2023. In line with our usual practice, we would expect to publish this letter and your response on our website.

Yours sincerely,

Harriett Baldwin MP
Chair of the Treasury Committee

Annex

1. What are your profits and revenue generated from savings products in 2021 and 2022? Please provide a breakdown of revenue between different types of savings products, if feasible. [Q33]
2. To what extent have you seen house prices for homes in flood risk areas be weaker than general trends? [Q76]
 - Are banks able to identify how many of their customers are living in flood risk areas; and how many, therefore, by 2035, banks would not be looking at offering long-term mortgages to? [Q76]
3. How many business bank accounts have you closed in 2021 and 2022, without the customer requesting it? Please provide a breakdown of the reasons. [Q81]?
4. What is the value of deposits in your instant easy access saving accounts? How many customers have over £5000 in savings in instant easy access saving accounts?
5. What proportion of customers re-mortgage with you as their current provider and how has this changed in recent years?
6. HM Treasury's [Basic Bank Accounts Report 2022](#) shows the Lloyds Banking Group closed more basic bank accounts between July 2021 to June 2022 than it opened in the reporting period. Why is that?
 - HM Treasury's [Basic Bank Accounts Report 2022](#) also highlights that Lloyds Banking Group had the second highest number of refusals for the basic bank account out of all the banks (almost 20,000 applications were rejected from July 2021 to June 2022). What is the reason for Lloyds Banking Group refusing so many applications?
 - What is the process for customers who want to apply for a basic bank account rather than a standard bank account? Can customers apply for a basic bank account (without an overdraft facility) from the Lloyds website without having to apply for a standard bank account; and if not, why [Q79]?
 - What are you doing to ensure that customers are aware of the availability of the basic bank account, either on the Lloyds website or at branches?
7. What are you doing to ensure that your customers have access to cash, when bank branches close?
 - How many bank branches are you intending to close in the next two years?

