

Rt Hon Theresa May MP
House of Commons
London
SW1A 0AA

29th January 2019

Dear Mrs May

Lloyds Banking Group – Gaming Overdraft Charges

Affinity – with 30,000 members – is the largest independent trade union representing staff in the Lloyds Banking Group.

Lloyds has been accused of introducing a new set of overdraft charges for customers, including our members and many of your constituents, to maximise profits just before the fee structure it uses is due to be banned by the Financial Conduct Authority.

Lloyds removed all fees and charges for unplanned overdrafts and introduced a fixed charge of 1p per day for every £7 of borrowing a few years ago. In November 2018, the Bank announced that it would introduce a tiered system from 14th January 2019, which would result in most customers being charged more. Under the new system customers who go overdrawn by less than £1,250 will pay an annual interest rate of some 61%. Lloyds, which is the biggest overdraft provider in the UK, is expected to make significant profits from these new charges. The new charges and how they compared with the current charging structure are set out overleaf.

In December, the FCA published proposals to reform the way banks and building societies charge for overdrafts. It wants to simplify: “overdraft pricing - ensuring the price for each overdraft will be a simple, single interest rate – no fixed daily or monthly charges”. The new rules are expected to be effective from the end of year. Lloyds knows its pricing structure is going to be banned but in the meantime is taking advantage of its customers in the most egregious way possible. And let us not forget, UK taxpayers saved the bank from collapse. Rachel Reeves, the MP for Leeds West said: “While these fees might be legal, they are not within the spirit of the FCA's recommendations. It is unacceptable for financial institutions to try and game the system at the expense of customers, particularly those struggling with their finances”.

I would be grateful if you could write to Mr. Antonio Horta-Osorio, Group Chief Executive of Lloyds Banking Group, asking him why the bank is taking advantage of its customers with its new charges when it knows full well they are going to be banned by the FCA. A bank that truly believes in ‘Helping People Prosper’, one of its marketing strap lines, would realise that its fee structure is wrong and would abandon it immediately.

Yours sincerely



Mark V Brown
General Secretary

LLOYDS BANKING GROUP OVERDRAFT CHARGES

HOW LLOYDS NEW OVERDRAFT FEES ARE CALCULATED:

Up to £1250		Between £1250 and £2500		Over £2500
1p for every full £6	+	1p for every further full £7	+	1p for every further full £8

ALL CUSTOMERS ARE WORSE OFF:

If you borrow £500	£500 at 1p for every full £6	=	New total daily fee	£0.83	£0.83	What you did pay: 1p for every full £7	£0.71						
If you borrow £1600	First £1250 at 1p for every full £6	+	Plus, £350 at 1p for every full £7	£2.08	£0.50	=	New total daily fee	£2.58	What you did pay: 1p for every full £7	£2.28			
If you borrow £3200	First £1250 at 1p for every full £6	+	Plus, £1250 at 1p for every full £7	£2.08	£1.78	+	Plus, £350 at 1p for every full £8	£0.87	=	New total daily fee	£4.73	What you did pay: 1p for every full £7	£4.57