

PRESS CUTTING

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Shareholders to sue Lloyds TSB chiefs over 'disastrous' HBOS takeover

By David Craik

FURIOUS investors are set to sue the directors of Lloyds TSB for £250 million after claiming yesterday that its decision to buy HBOS (Halifax Bank of Scotland) had been "disastrous".

An action group working on behalf of three million shareholders confirmed plans at a meeting in central London to pursue compensation amid ongoing fury at last September's £12.2 billion takeover. It also called for the departure of chief executive Eric Daniels.

Roger Lawson, of the Lloyds Bank Shareholders Group, said: "All of the directors supported the decision to buy this imprudent bank and all should go in due course. Lloyds TSB was a stable, even boring, bank. They knew they were buying a lot of trouble in HBOS because shareholders wrote to them telling them the bank was in a real mess. But they ignored the risk."

Lloyds Banking Group, which was formed after the takeover, recently posted losses of £4bn for the first six months of the year and a more than fivefold rise in bad debts to £13.4bn. About 80 per cent of this giant loss was accounted for by HBOS loans which turned sour.

Some of the shareholders claim to have lost thousands of pounds set aside for their retirement as a result of the collapse in Lloyds share price since the deal was done and the subsequent £17bn bailout from the government which owns a 43 per cent stake in the bank.

Lawson said Prime Minister Gordon Brown and Chancellor Alistair Darling's decision to waive competition rules to allow the takeover had been "appalling". He said: "HBOS was in dire difficulties because of imprudent lending. They were reliant on money market funding. But the government ran a carrot and stick approach with Lloyds.

"The carrot was waiving the rules, but the stick was that Lloyds would be forced to take government money if they didn't buy HBOS. Lloyds could have said to the government: 'If you want us to buy it you must guarantee the risk', but they didn't. The interests of shareholders were totally ignored. It was a debacle."

Nick Shaw, chairman of the action group, said it had hired London-based solicitors **PCB Litigation** to research its legal case against the directors, including Daniels and former chairman Sir Victor Blank.

"Lloyds was HBOS's lifeboat and we have paid for patching it up. But we were told by the directors that there was no downside to the takeover. It is clear that a wrongdoing has taken place. We are going after the directors."