

## **Comment: Agreement reached with other Foundations**

Mary Craig, Chief Executive of the Lloyds TSB Foundation for Scotland, has commented on the announcement that the other three Foundations have reached agreement with Lloyds Banking Group around interim funding and a revised covenant going forward:

“Without the detail of the settlement, it is difficult to comment specifically on Lloyds Banking Group’s claims. However, if the Foundations have settled using the Group’s current proposal to us, it is hard to see how this can be in the best interests of the charities they support in their respective countries.

“Despite what is said about higher level short term funding in the next four years, to all practical intents and purpose, that funding will be slashed in the longer term as the terms of the covenants will be reduced. There is no guarantee income will meet current levels; “the smaller slice of a bigger pie” argument has already been discredited by the Group itself.

“Archie Kane, appearing before a committee of the Scottish Parliament recently, when pressed hard on this point could not produce a shred of evidence that the Foundation in Scotland would receive the same level of funding in future if we accepted a cut of 50% in the covenant because, he admitted, there is no certainty over future profits.

“In addition to a significant reduction in income, it is clear that the Foundations will be expected to align a sizeable portion of their remaining funds to the Group’s corporate giving priorities. That will effectively end the Foundations’ historic status as independent charitable organisations. We said from the outset that we wished to protect our independence as a key part of safeguarding our ability to work with charities in most need, not those who meet arbitrary corporate criteria. It is simply not possible to be independent and aligned at the same time.

“This aspect of the announcement seems to suggest that we were right to be concerned. Having already rejected the Group’s proposal on the grounds of legal and financial advice, the Foundation is now to seek a formal view from OSCR, the charities’ regulator in Scotland, for an opinion on the implications of an independent charitable organisation, such as ours, aligning a significant part of its income to a corporate giving programme. In effect, the Foundation wants to know whether our independent charitable status would still be intact under charities law.

“Those who established the Foundations wanted recognition, in perpetuity, for the depositors, the majority of whom were from poorer communities. It was on their savings the Trustee Savings Bank was founded, which has grown into Lloyds Banking Group today. It was clear the founders saw no need to limit the money available as they created covenants that gave 1% of pre-tax profits, rather than a fixed sum. It was their intention that if the Bank did well, the communities would benefit too.

“This announcement blows all of that away. It also negates the Group’s claims that it could only settle with all four Foundations on the same basis. And, yet again, the Group claims that the door remains open to us. We made two recent requests to the Group’s Chairman asking him to step in and help us find an alternative solution. Unfortunately, his response today makes it clear that the Group is only prepared to discuss its proposal with us. But, as we have made very clear already, that would mean us ignoring all of the legal and financial advice received to date and accepting a proposal we believe will damage the Foundation and our work with charities in Scotland in the longer term.”

## **Note to Editors**

1. Lloyds is not a donor to the Foundation nor do they pay monies to the Foundation as a benevolent, voluntary act. Funds are the Foundation's by right of shareholding and the Group pays in line with a legal obligation that specifies how much.
2. The Group's talk of the "remainder of the covenant" is misleading (unless they have renegotiated the terms of the covenant itself). The covenant runs in perpetuity because it has no end date and can run for as long as circumstances or the Group dictate. They can terminate it if they serve 9 years notice on the Foundation. That may be why they continue to talk of a "nine year Covenant" and similar, but that is to mislead.
3. There was no need for a 'new and expanded relationship' as the relationship that existed was a good one, based on a covenant that has stood without change for 25 years. Had the Group accepted the proposal made by the Scottish Foundation, it would have cost them nothing in the short term and the existing relationship could have continued in the long term. However, it appears that this has not been about money but control.
4. For further information, please contact Indigo: Rhiannon Griffiths or Jacqui Low on 0131 554 1230

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