

FOUNDATION WARNS THAT LLOYDS BANKING GROUP MAY BE CONSIDERING TERMINATING RELATIONSHIP

One of Scotland's leading charitable funders, Lloyds TSB Foundation for Scotland, has warned that Lloyds Banking Group may be considering serving notice on the Covenant that provides long-term funding to the organisation.

This follows an exchange of letters between the Group and Martin Sime, Chief Executive of SCVO, being made public. In his response to the Group claiming that it didn't want to "have to terminate the Covenant", Mr Sime advised that any move to do so would have a "severe and detrimental impact" on the standing of the Group in Scotland and he went on to press the Group to reconsider its present stance on its current funding proposal to the Foundation.

Mary Craig, the Foundation's Chief Executive, confirmed that she has already been told by the Group's spokesman, Shane O'Riordain, that the matter is under consideration:

"Lloyds Banking Group has indicated to us that it is considering whether to serve notice on Lloyds TSB Foundation for Scotland to terminate the historic Covenant, effectively ending the 25 year funding relationship between the Banking Group and the Foundation.

"If this is the case, it will be particularly disappointing if it comes as a direct result of the Foundation rejecting, on legal and financial advice, the deeply flawed proposal from Lloyds around interim funding. The strings attached to this would leave us with a reduction of 50% in the proportion of the pre-tax profits allocated to the Foundation's work with Scotland's grassroots charities. It would also remove the Foundation's independence.

"Let me speak plainly – there can be no reading of such a move other than because the Group is not getting its own way in forcing us to accept terms not in the best interests of the charities we support.

"We have tabled our own proposal in an attempt to find common ground, a proposal that sought interim funding in the form of a loan, whilst leaving our independence intact: we have never asked for a handout from the Group at the taxpayers' expense. However, the only explanation of why it was rejected came at our most recent meeting with the Group (6 November), when we were told that the current Covenant, giving a fraction of one percent of pre-tax profits to the Foundation, was simply "too much".

"Throughout this process, the Foundation has remained – and remains - open to discussions with the Banking Group. I am saddened that this co-operation has not been reciprocated in any meaningful way. Of course, it is entirely the Group's decision to serve notice on the covenant, but I hope they are fully aware of the impact that decision may have on the lives of people in Scotland for generations to come."

As an independent organisation, the termination of the Covenant, by Lloyds Banking Group giving nine years notice, would not mean the end of the Foundation. The limited voting shares it currently holds would become ordinary shares and the Foundation would then become entitled to annual dividends in line with other shareholders. As at present, it would also be able to raise funds from other sources.

Best wishes,

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