



media release

SCOTTISH CHARITIES HIT BY £6 MILLION BLOW AS LEADING CHARITABLE FUNDER WITHDRAWS

Hundreds of Scottish charities are set to lose at least £6m a year in funding with the announcement that the Lloyds TSB Foundation for Scotland is closing its door to new applications for grants for the foreseeable future. However, it is to fully honour existing commitments to charities and will make final awards in December as planned.

Since it was established in 1985, over 12,000 awards have been made to charities, working with disadvantaged communities and people across Scotland, that have benefited from almost £85m disbursed by the Foundation. An independent organisation and one of the leading charitable funders in Scotland, it operates to a covenant that dictates that the organisation, alongside the three other autonomous Foundations that cover the rest of the UK, receives a share of 1% of the Lloyds Banking Group's pre-tax profits per annum. However, the losses predicted by the Group means that there are virtually no monies due to the Foundation in the coming year, which has forced Trustees to close the door to new applications indefinitely.

Over the last nine months, negotiations have been ongoing with Lloyds Banking Group in London to explore a range of options on how best to enable the Foundation to continue its work until the Group returns to profit. But, to date, these have failed due to the Group seeking to tie the offer of a funding package for the next four years to a reduction in the terms of the covenant and a loss of the Foundation's independent status. A counter offer by the Foundation five weeks ago has not had a response to date.

Mary Craig, Chief Executive of the Foundation, explains:

“At this time of year, many Scottish charities are waiting to hear what the deadline is for the next round of applications to the Foundation for grants. Unfortunately, as we remain uncertain as to when we will next receive sufficient money under the terms of our covenant to enable us to continue our grant making activities, we felt we couldn't leave it any longer to alert charities to what is happening as this is as much about their future as it is ours.

“Lloyds Banking Group has put money on the table to get the Foundation through the next few years until the Group returns to profit. That is to be welcomed but, unfortunately, that has come with a significant condition attached that would seek to alter the covenant immediately, leading to future funds reducing from a share of 1% of profits to a share of 0.5% of profits. There are also conditions that we believe would lead to the end of the Foundation's independent status, such as the Group choosing where the money would go in future.

“Our Board is required to work in the best interests of the Foundation, not just now but also for the longer term. As the Lloyds Banking Group's offer stands, our legal and financial advisors have informed us that what has been offered is not in the best interests of the Foundation and that Trustees should therefore not agree to this.

“As the Group has signalled that it has money it can make available to the Foundation, our preferred option is to take that, effectively as an advance, and arrange to pay it back over time. That would be possible, if the Group forecasts for future profit increases are achieved, without affecting the funds available for charities. It would also leave the current covenant untouched and our independence intact.

“We hope that such an arrangement can be reached sooner rather than later to allow us to get back to the job in hand, supporting Scottish charities. The Scottish Government recently acknowledged the tough time being experienced by charities by creating a fund of £1.7m to support them. If the Foundation stops its activities, this money will simply be filling part of the hole we will leave, not providing the additional help as was intended.”

Notes to Editors

1. A factsheet about the Lloyds TSB Foundation for Scotland is attached.
2. A photograph of Mary Craig is available on request.
3. For further information, please contact:

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