

TERMS OF REFERENCE FOR CRANSTON REVIEW

Aim

The aim of the assurance review (“Assurance Review”) is to consider whether:

- The methodology and process developed for the Customer Review has achieved the purpose of delivering fair and reasonable offers of compensation and has been consistently applied in accordance with established principles of Treating Customers Fairly.
- The judgements that have been made on individual customer cases are fair and reasonable, including in relation to the assessment of direct and consequential losses.
- The overall level of compensation to customers has been fair and reasonable when compared to the damages likely to have been available through a court process.
- Professor Russel Griggs (“Professor Griggs”) has exercised appropriate levels of independent challenge over customer outcomes, ensured that offers to customers have been reasonable and was able to properly perform his role.

Phase 1

Through a review of the methodology, to determine whether it provides a reasonable basis on which to deliver fair outcomes and offer swift and generous compensation, taking into account:

- **Approach to building a case file** including the opportunity for customers to provide input, with the benefit of independent legal advice, and LBG’s process of gathering and collating documentation from LBG records;
- **Approach to assessing a case** including the ‘heads of loss’ considered, the approach and basis for establishing loss and ensuring consistency in assessments;
- **Approach to compensation** including consideration of direct losses, consequential losses and personal impacts, as undertaken by both LBG and the Independent Reviewer
- **Approach to communicating with customers** including the clarity of the process and the time provided for customers at each stage of the Review;
- **Approach to disclosure (in the context of a without prejudice voluntary review)** including the provision of available information to Professor Griggs and customers, the explanation of outcomes and redress to customers (both in writing and through face to face meetings), the explanation of how the level of compensation was arrived and whether customers were able and had the opportunity to challenge LBG’s view;
- **Approach to supporting customers through the Review** including the reasonableness of decisions in relation to professional advisor costs;
- **Approach to additional information from customers** including the opportunity for customers to provide additional information for consideration by LBG and Professor Griggs if they disagreed with their outcome at first instance and their ability to provide it so that the LBG’s view could be challenged;

- **Approach to Settlement Agreements** including the requirement that customers take independent legal advice prior to releasing claims and whether the terms and conditions included within the Settlement Agreements were fair and reasonable.

Phase 2

Through a representative sampling approach, to consider whether:

- The methodology of the Customer Review has been applied as intended and learnings have been adopted during the Customer Review
- Customer claims have been assessed across the 'heads of loss' consistently
- Customer outcomes have been fair and reasonable, and are in line with the objectives and methodology of the Customer Review
- Customers have had reasonable advice costs paid and have been provided with sufficient time and professional support to make informed decisions

Method

To achieve its aim conduct of the Assurance Review will involve:

- Meeting with LBG and Professor Griggs
- Seeking input from external stakeholders (including but not limited to FCA, SME Alliance, APPG on Fair Business Banking and Treasury Select Committee)
- Reviewing LBG methodology for the Customer Review
- Reviewing LBG processes for the Customer Review, including customer communications
- Reviewing customer cases through a representative sample.

Timeline

The current planning assumption is that the Assurance Review will be completed by 30 September 2019.