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The Rt Hon. Nicky Morgan MP  
Chair of the Treasury Committee  
Treasury Committee  
House of Commons  
Committee Office  
London  
SW1A 0AA

19 January 2018

Our Ref: SA171221F

Dear Nicky

**Re: PRA/FCA Investigations into certain former Senior Managers of HBOS**

Thank you for your letters of 20 December 2017 addressed to me and Sam Woods. You asked for a progress report on the investigation into the Senior Managers of HBOS, as well as an estimate of when we expect them to conclude.

The PRA and FCA are jointly investigating certain former senior managers of HBOS. The PRA has outsourced the conduct of its investigations to the FCA. This ensures effective and efficient use of regulatory resources. Please note that this response applies to both regulators' investigations.

I can confirm that the investigations are continuing. We have gathered and are considering a substantial amount of documentation and information from many sources. To date the investigation team has gathered 2 million documents. We have conducted targeted electronic searches to identify a sub-set of approximately 400,000 potentially relevant documents, which we are reviewing. We continue to receive documents from Lloyds Banking Group (as custodians of HBOS' documents) for review and expect to receive a further 55,000 over the next three months. The total number of documents that still need to be reviewed is currently estimated at approximately 150,000. This number may increase – e.g. if LBG provides us with additional relevant material or, following our consideration of the information received to date, we consider it appropriate to request further information from LBG, the individuals under investigation or relevant third parties.

In parallel with this extensive document review, the investigation team is conducting an evidential and legal analysis of relevant information, and this will continue. We cannot reach any conclusions until the evidence review process is complete.

In addition to the investigations into the Senior Managers of HBOS, the FCA is conducting a separate investigation into the events surrounding the discovery of misconduct within the Reading-based Impaired Assets team of HBOS and its communications with the FSA about the misconduct. This investigation, which the FCA announced on 7 April 2017, resumes an investigation which the FCA placed on hold in early 2013, at the request of Thames Valley Police, pending the outcome of the prosecutions of six individuals. The HBOS Senior Managers and HBOS Reading investigations are separate, but information is shared between the investigation teams where relevant. To date, the HBOS Reading investigation team has reviewed around 32,000 documents and interviewed a number of former members of HBOS staff.

The FCA recognises the considerable public interest in these investigations and has committed significant resources and time to ensure these matters are being properly investigated. Investigations like these, especially into events that took place several years ago, can take longer than is often appreciated. Despite these challenges, we have been treating these investigations as priorities and we are committed to completing them as soon as possible. I would be happy to keep you in touch with the progress.

I hope that this is helpful.

*Yours Sincerely*

**Andrew Bailey**  
**Chief Executive**

A handwritten signature in black ink, appearing to read 'Andrew', with a long horizontal stroke extending to the right.

**cc. Sam Woods**