Dear Richard,

Thank you for your evidence to the Committee yesterday.

As I am sure you are aware, the Committee remains extremely concerned by ongoing problems at TSB, the bank's response, and the impact these problems are having on customers. We are particularly troubled by the complaints and compensation process, which is not meeting the high standards that you have personally promised the Committee. While the TSB Board and senior management may have lost control of the IT migration, they have full control over how to compensate customers who have lost out as a consequence. We expect to see rapid improvement.

The manifold problems at TSB have been exacerbated by its public communications since 23 April. These have often been complacent and misleading, and have failed to acknowledge the specific problems faced by customers. In this regard, the tone has been set from the top, by your Chief Executive. Whether intentionally or not, he has not been straight with the Committee, and more importantly TSB's customers, about the scale, nature and severity of the problems at TSB, and of the bank's response. I would draw your attention in particular to the following examples.

- Dr Pester wrote to all MPs on 25 April to inform them that "everything is running smoothly for the vast majority of our five million customers", but failed to state that, at the time, only half of logins to the internet banking website were successful. He did not write again to correct this.

- When he appeared before the Committee on 2 May, Dr Pester denied that there were delays or problems on TSB’s fraud reporting line, when in fact call volumes, waiting times and abandon rates were far higher than normal. No opportunity was taken to correct this in subsequent written evidence of 11 May, despite this containing a section entitled “Fraud”. The dissembling continued in Dr Pester’s update to the Committee of 5 June, and in his evidence yesterday, in which he placed misleading emphasis on a figure of three minutes to describe the average wait time on the additional line set up to report fraud. No reference was made in his evidence to what the FCA yesterday described as “a huge variability in TSB’s ability to answer calls that are placed to fraud”, nor to the fact that, at times, as few as one in ten calls are answered.

- When he appeared before the Committee on 2 May, Dr Pester failed to take two opportunities to clearly answer questions on whether TSB customers had had problems switching their accounts. He said “there will be no barriers”, “of course we make it possible
for customers to switch from TSB”; and he complained about the switching service being “designed by the five [largest] banks”. But in the week before the evidence session, 45% of requests to switch from TSB were rejected because of the erroneous inclusion of Standing Order information. This evidence was not corrected in subsequent written evidence, which stated “There is no barrier to switching out of TSB”.

- Dr Pester wrote to inform me on 27 April that “I [Dr Pester] appointed IBM to lead a full review of what had occurred and ensure these problems are fully addressed”. This appears to have misrepresented both the nature of IBM’s work and his role in commissioning it. Subsequent written evidence from TSB states that “Sabadell and TSB agreed that TSB would appoint IBM […] IBM have been appointed to help TSB resolve the issues, not to perform a “review”.

- In his update of 5 June, Dr Pester described what the bank was doing successfully, but missed yet another opportunity to set out clearly the scale and nature of the problems that continue to affect customers. In particular, he did not acknowledge that customers cannot view credit card or mortgage statements online; that chequebooks had been issued with the wrong sort code, rendering them useless; that TSB had told the utility providers and councils of hundreds of customers requesting to switch accounts that they were dead; that TSB customers at the end of their mortgage deal cannot take out a new deal with TSB, and are switched to the Standard Variable Rate; that cheque readers in some branches were not working; or that there is a growing backlog of customers with restrictions placed on their account following fraud alerts.

In taking evidence from TSB, the Committee has sought to shed light on the discrepancies between the bank’s public statements about its service level and the experience of its customers. Its work has been hindered by Dr Pester’s evidence, which has fallen short of the standards of openness and transparency we expect.

As a result, the Committee considers that the TSB Board should give serious consideration as to whether Dr Pester’s position as Chief Executive of TSB is sustainable. The Committee has lost confidence in his ability to provide a full and frank assessment of the problems at TSB, and to deal with them in the best interests of its customers. It is concerned that, if he continues in his position, this could damage trust not only in TSB, but in the retail banking sector as a whole. I ask that the Board consider the Committee’s view as a matter of urgency.

I am also writing separately to Andrew Bailey and Sam Woods, and will be sharing this letter with them.

Nicky Morgan

The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee