



TSB Bank plc
20 Gresham Street
London
EC2V 7JE

Rt Hon Nicky Morgan MP
Chair
Treasury Select Committee
House of Commons
Westminster
SW1A 0AA

27th April 2018

Dear Mrs Morgan,

Thank you for your letter of 23rd April regarding TSB's recent systems issues. These issues started to occur after TSB's migration from the Lloyds Banking Group (LBG) IT platform onto a new platform built for TSB by our parent company, Sabadell, and operated by Sabadell's technology subsidiary, Sabis.

I am deeply sorry for the serious problems our customers have been experiencing since our move onto the new platform. I want to reassure the Committee that we are working around the clock to put things right for our customers. As I have said publicly, no customer will be out of pocket as a consequence of these problems.

To accelerate the work we are doing to resolve these issues, on Wednesday 25th April I appointed IBM to lead a full review of what had occurred and ensure these problems are fully addressed. IBM are two days into this work, and I will be happy to share the findings of their review with this Committee once the work is complete.

Meanwhile it is important to note that the fundamental record keeping and account management functions within the platform are working as designed. This means that the fundamental components of the bank, such as regular payments, debit cards, credit cards, and ATMs, are all working as normal.

A number of fixes have been implemented over the days since the new platform came into operation. The work by IBM and others will lead to a detailed remediation plan aimed at enabling TSB to provide a full suite of services to its customers as soon as possible and the delivery of a robust architecture.

In addition to fixing the technology issues we have found with the platform, we have launched a proactive customer redress programme. The objective of the programme is to make good on my commitment that no customer will be out of pocket as a consequence of these issues.

The redress programme includes responding to individual complaints from customers, proactively identifying customers through social media and through our own data who we think may be suffering hardship and a blanket waiving of all overdraft charges, fees and interest for all customers for the month of April.

Given the above context, the answers to your specific question are as follows;

Non-availability of internet/mobile banking

On Monday 23rd April we were only able to serve c.200,000 sessions via our website versus an expected level of c.450,000. As of Thursday 26th April, we were able to serve c.450,000. This is consistent with the number of sessions we would expect to serve.

On Monday 23rd April approximately 72% of customers attempting to access the mobile app were successful on first attempt. As of Friday 27th April this had risen to approximately 93%. This is typical of the proportion we would have seen pre-migration.

Access to other customers' accounts and erroneous balances/unauthorised transactions

Access to the TSB website was opened on the evening of Sunday 22nd April. Soon after this we became aware via social media of reports of customers seeing transactions and balances they did not recognise. The website was taken down immediately.

Upon investigation it has become clear that the "erroneous balances" and "unauthorised transactions" relate to linked accounts. TSB, like many other banks, enable customers to nominate a third party to have access to their accounts – these are called nominee accounts. Typically this will be a parent having access to a child's account or a grown-up child managing an ageing parent's account. The ability for the third party to see the customer's account information is usually limited to branch and telephony channels.

However, on the evening of Sunday 22nd April access was provided via digital channels. In addition, as well as enabling the third party to see the customer's data, the customer was able to see the third party's data. Therefore, in the "parent and

child" example, the parent could see the child's transaction data but the child could also see the parent's transaction data. This explains some of the comments in social media where customers expecting to be overdrawn (the "child") could see large credit balances (the "parent"). No personal data was visible, just account balance data.

This error was fixed by Sabis overnight on Sunday and the website and app re-opened around 02:00 on Monday 23rd April.

Having completed an investigation I can confirm that 402 customers were able to see data we normally would not make available to them. I have written to all 402 customers apologising for this. Within these 402 customers all payments were investigated with one eventually being identified as fraudulent. The customer will be remediated in our normal way.

We first informed the Information Commissioner's Office of this error at 09:00 on Monday 23rd April.

Automated fraud prevention messages

On Sunday night we received calls from customers not recognising the SMS alerts they received. This is because SMS alerts were sent to them when a transaction was made with a merchant abroad. On our previous IT platform, these messages were sent only for "card present" payments in person abroad.

Declined cards

Some TSB customers using an ATM abroad were declined when attempting to withdraw money on Sunday. We believe that this may have affected approximately 700 customers. The issue was fixed within four hours.

Non-availability of branch services

We experienced widespread issues with our branch counter technology on Monday 23rd April. By Friday 27th the situation had improved such that in c.60% of our branches the counter technology was functioning as expected; in c.32% the technology was functioning but with some issues and in 7% the counter technology was not functioning.

Non-availability of telephone banking and customer service

A combination of lower than expected internet and app availability at the start of the week and the high levels of publicity surrounding TSB have led to a very large volume of calls to our call centres. This coupled with technology failures leading to an intermittent IVR, means that the call wait times and abandon rates have remained high. On Monday 23rd April, average wait times were close to one hour; by Thursday 26th April this had remained high at approximately 30 minutes.

We continue to work around the clock to put things right for our customers.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'P. Pester', with a long horizontal flourish extending to the right.

Paul Pester
CEO, TSB Bank plc