



Robert E. Diamond, Jr.
Chief Executive, Barclays PLC

Andrew Tyrie MP
Chairman
Treasury Select Committee
Portcullis House
Bridge Street
London
SW1A 2 LW

15 May 2012

Dear *Andrew*,

Thank you again for taking the time to see Antony and me on Tuesday 17 April. We both appreciated your frankness and constructive comments – you gave us plenty of food for thought.

As follow-up to our discussion, you asked us to write to you on two specific points: our perspective on the Government's handling of the retrospective tax action at the end of February; and concerns we have about the increasingly aggressive behaviour of claims management companies and the risks that poses to consumers, particularly those that are more vulnerable. The purpose of this letter is to address the first of those two issues; Antony will write to you directly on the second.

I hope I was able to make clear that, especially in the context of our focus on Citizenship, Barclays takes its responsibilities with respect to its tax affairs very seriously. We ensure that all tax-related transactions that we undertake are fully in accordance with the relevant tax law, wherever we do business. In the UK, we are also voluntary signatories to the Government's Tax Code of Conduct for Banks, which obligates us to comply with the letter and spirit of the law. Finally, we have long had an open and transparent process for reviewing transactions with HMRC.

The situation in February arose when, in line with our long-standing practice of full transparency, Barclays voluntarily and proactively disclosed to HMRC that we had repurchased some of our debt in a tax efficient manner. Our pursuit of the particular tax treatment for this transaction was based on strong legal guidance, as well as information on market practice in this area from professional advisors, which together helped inform our conclusion that the transaction was compliant with the Tax Code. The important

judgement from our Advisors was that other companies had used a similar treatment; that it was reasonable to assume that HMRC was aware of those similar treatments; and that, because HMRC had taken no action to prevent those treatments, there was a clear precedent to satisfy the test of the spirit of the law.

In the event, of course, Barclays was the first (and only) taxpayer to make a disclosure. We were, therefore, surprised to be singled out in the way that occurred; not only through a retroactive change of law, but the effective naming of Barclays by the Exchequer Secretary in his statement to Parliament, accusing the bank of entering into a "highly abusive" scheme.

We believe that the confidentiality of taxpayers' affairs is an important principle of UK tax law that has stood for many years. Its operation gives taxpayers the confidence to share confidential and commercially sensitive information with the UK tax authorities fully and freely. We feel that it is important to the UK's reputation as a business centre that this principle is not seen to be compromised or watered down simply because the tax authorities do not agree with the material that is disclosed to them.

Barclays absolutely respects the right of HMRC and the Government to decide to adjust the tax laws. Once the laws are changed, we will, of course, adjust our decision making processes to comply with the modified law. However, the way in which this situation was handled seems to us to have been completely unwarranted. Unnecessary damage was placed on Barclays reputation just at a time when the focus should be on rebuilding confidence and accelerating growth, not undermining it.

I am grateful for this opportunity to provide you with our perspective on these events. I should hasten to add that we have taken away from them lessons and are, as I described to you, carefully reviewing the nature of our business activities here, at the minimum to ensure that we take steps to prevent such an event from occurring again.

Thank you again for making time to see us and if I can be of any assistance, you know where to find me.

Yours sincerely,


