Thank you for your writing to me and passing on your constituents' concerns about HSBC.

Clawback is an anachronism that has rightly become an increasingly rare feature of occupational pensions. A number of major employers that previously applied clawback to their company pensions have reportedly either scaled back, capped or scrapped this feature.

The 'state deduction' clawback feature of HSBC's Midland Section pension plan applies to service accrued between 1 January 1975 and 1 July 2009, when the scheme was non-contributory from the employee's perspective. Since 1 July 2009 members of the Midland Section have been able to accrue final-salary-linked benefits with no clawback applied.

In response to my letter on this matter, the Chair of HSBC Bank Pension Trust set out how the 'State Deduction' clawback feature of the Midland Section pension plan was communicated to employees. Clearly these measures were largely insufficient, given that many loyal and long-serving bank staff are evidently only now discovering with surprise and dismay how their retirement incomes are affected.

Mr Picot was unable to answer my question on how much the pension scheme saves through applying clawback. I have since learned that the cost of cancelling clawback has been estimated to be in the region of £400-500m. While this is not an inconsiderable sum, it may be viewed in the context of HSBC's latest reported annual after-tax profit of $11.9 billion (£8.6 billion).

HSBC has rightly abandoned the practice of clawback for future accruals. It would be most welcome if HSBC were now to review the effect of this policy on pensions accrued in past years and examine how best to mitigate this, as a gesture of appreciation to the dedicated and long-serving bank staff, often on low pay, whose work contributed to the company's profitability over decades.

The Committee currently has no plans to conduct a full inquiry on this matter, but we will continue to monitor developments.

Best wishes,