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What will happen to Howard?

Alan Jones, partner at employment law firm Averta comments on the takeover of HBOS by Lloyds TSB and the implications for employees.

“Turmoil in the financial markets has resulted in Lloyds TSB taking over HBOS, with some reports predicting up to 40,000 people will lose their jobs, although this figure has been dismissed.

The future for the employees of both banks is now uncertain.

Already the deal agreement has identified that “significant costs savings can be made by combining the networks and back offices of Lloyds TSB and HBOS”. Lloyds’ states that it intends to eliminate “branch duplication in the retail arm” and it has made clear that functions such as head office posts, HR, finance and legal departments will face consolidation.

An announcement that Eric Daniels, Chief Executive of Lloyds TSB, will take over the helm of the combined banks, leaves the future of Andy Hornby of HBOS unclear. And what will happen to Howard (the ‘face’ of the bank in the TV adverts) and the other HBOS employees?

The combined workforce of both banks total 145,000 and it is likely that, particularly where functions are merged, many employees will find their jobs are at risk.

So what sort of deals can employees face in these situations? Any employee who is made redundant is entitled to receive a redundancy payment and, if they are not required to serve out their notice, a payment in lieu of such notice.

Redundancy payments may be made tax free to a limit of £30,000. Additionally must be treated fairly during any redundancy process; they can expect to be consulted about the means of selection for redundancy and for any selection to take place in an objective and impartial manner.

If the process is unfair then employees may have the right to bring claims in an employment tribunal for unfair dismissal. The compensation for which can be up to £63,000. If the redundancies are carried out in a way which is discriminatory on certain grounds, for example race, sex or age, then a separate claim for discrimination could be brought, the compensation for which is, potentially, unlimited. All staff should be treated fairly so the HBOS people not bear the brunt of the redundancies.

It similar situations in the past, such as the merger between Lloyds and TSB, the banks have been generous with exit packages, but with so many employees to consider can they afford to be so generous in this case?

Accord, the HBOS trade union, is urgently seeking talks with Lloyds TSB. Doubtless its counterpart, Lloyds TSB Group Union will be doing likewise. The combined bank will be obliged to listen.

Under legislation, where it is proposed that 100 or more employees are to be dismissed, an employer is obliged to inform the trade union of its proposals in relation to those redundancies and then enter into consultation with it for a minimum of 90 days.

Consultation must include ways to avoid the redundancies, details of the number of redundancies to be made and how it is proposed to select the employees for dismissal. If there is a failure to consult in this way and redundancies are made, the trade union can commence a claim and, if successful, an employment tribunal has the power to award a “protective award” to each employee affected of up to 90 days pay.

All eyes, in particular those of the trade unions, will be on Lloyds TSB scrutinizing its next move. In these credit crunch times it would appear to be in the banks’ interest to ensure that any redundancy process is conducted properly to avoid further, substantial, liabilities.”

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Note to editors:

Issues that Averta Employment Lawyers will handle include, negotiating severance terms, advising on boardroom disputes, compromise agreements, contractual problems, drafting service agreements, consultancy agreements, restrictive covenants, notice and garden leave, unfair dismissal, whistle blowing and discrimination issues.

Averta focuses primarily on the needs of senior executives and professionals.

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