Bank exodus sparks row with UK lending standards body

Two of Britain’s biggest high street banks have quit a body dedicated to enhancing industry lending practices, sparking a furious row and casting doubt over its future.

Sky News has learnt that HSBC and Lloyds Banking Group have terminated their membership of the Lending Standards Board (LSB).

Their resignations – alongside that of Santander UK in April – mean that three of the country’s big five lenders have quit the organisation this year.

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On Wednesday, Barclays was also said to be considering its future involvement.

The exodus has forced the body to slash its headcount, with roughly a third of those employed in its compliance department made redundant, according to a source close to the LSB.

The organisation denied suggestions that the figure was as high as 75%.

HSBC and Lloyds are expected to formally remain as members until their resignations take effect sometime in the new year.

The LSB is a self-regulatory body whose origins began in the Banking Code Standards Board designed in 1992 by the British Bankers’ Association and other trade associations.

Its board members include Paul Johnson, arguably Britain’s most respected economist.

The financial crisis which erupted in 2007 exposed a litany of failings in the industry’s conduct, paving the way for the creation of the Banking Standards Board (BSB).

Last year, the BSB closed after major lenders declined to continue funding it.

In a statement issued to Sky News, an LSB spokesperson said: “We disagree profoundly with HSBC and Lloyds Banking Group’s decision to withdraw from the LSB’s business Standards.

“As a result of this withdrawal, many of these banks’ SME customers will not be protected by the oversight of either the LSB or FCA.

“This will put these SMEs at a greater risk of harm.”

Banking industry sources said they had decided that their LSB membership was unnecessary because of the duplication of regulatory standards to which the industry is now required to adhere.

These, they said, included the consumer duty overseen by the Financial Conduct Authority and new rules governing the reimbursement of authorised push payment fraud.

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A Lloyds Banking Group spokesperson said: “We remain dedicated to delivering good outcomes and upholding exemplary standards for our customers.

“We have valued the LSB’s role in enhancing standards but there is now significant duplication with other regulation that has been introduced in recent years.”

HSBC declined to comment, while Barclays has been contacted for comment.