Britain's biggest lender takes bad loan charge ahead of 'mortgage shock'

The boss of Lloyds Banking Group has told Sky News a "mortgage shock" is awaiting around 200,000 of its home loan customers.

In an interview with Ian King Live, Charlie Nunn said 10% of its mortgage customers were due to exit a fixed rate deal this year and it was actively speaking to many households about affordability given hikes to rates over the past year.

"Where we're really focused on as a bank is looking at those customers that are going to have an increase in their mortgage payments which is going to increase their interest they pay as a percentage of their income", he said.

"There's less than 1% of our customers that we think are going to have a mortgage interest shock like that and what we've been doing is quietly reaching out to them."

He was speaking hours after the group revealed a provision of ± 1.5 bn last year - ± 500 m of it in the final quarter - for bad loans ahead.

The group fears defaults could rise as a result of higher interest rates — mostly a consequence of Bank of England efforts to combat inflation — combining with the wider <u>cost of living crisis</u> to squeeze budgets further.

Lloyds reported a 12% increase in its bonus pool for 2022 despite pre-tax profits remaining flat on the previous year.

Earnings of £6.9bn for the 12 months matched the sum achieved in 2021, even though revenue had risen 14% to £18bn.

The 12% rise in the bonus pool to £446m, revealed separately

in the bank's annual report, is above the peak rate of inflation seen over the year.

Advertisement



Image:

Charlie Nunn is the chief executive of Lloyds Banking Group Mr Nunn took £1.33m of that sum, the document said, plus a long-term share plan award of 150% of his salary.

It took his total awards to £3.8m.

The bank, which incorporates Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows, also announced it would pay a 1.6p per share final dividend and a share buyback of up to £2bn.

It amounts to £3.6bn of shareholder returns.

Please use Chrome browser for a more accessible video player



7:03

NatWest boss defends bankers bonuses

The group said rising interest rates and additions to its loan book helped profits almost double over the final three months of 2022.

The latter rose by £6.3bn to £475bn over the year.

Mr Nunn told investors: "While the operating environment has changed significantly over the last year, the group has delivered a robust financial performance with strong income growth, continued franchise strength and strong capital generation, enabling increased capital returns for shareholders.

"We know that the current environment continues to be challenging for many people and have mobilised the organisation to further support our customers.

"Our purpose-driven strategy is more relevant now than ever

before. We remain committed to helping Britain prosper and helping the country recover from the current economic uncertainties."

Shares fell back by 2% at the market opening.

Spreaker

Due to your consent preferences, you're not able to view this. Open Privacy Options

<u>Click to subscribe to The Ian King Business Podcast wherever</u> <u>you get your podcasts</u>

John Moore, senior investment manager at RBC Brewin Dolphin, said: "Lloyds has finished off the major UK banks' results season with a performance that is 80% NatWest and 20% Barclays.

"Profits have been flat year-on-year, with bad loan provisions adding extra costs, among other moving parts.

"The bank has a history of prioritising its dividend, which is up 20% on last year, and acts as a good indicator of sentiment from management.

"Alongside the dividend increase is a £2bn share buyback programme, underpinned by enhanced guidance for the years ahead — all of which suggests a relatively positive outlook for Lloyds."