

BRITISH BROADCASTING CORPORATION

RADIO 4

TRANSCRIPT OF "FILE ON 4" – "HBOS"

CURRENT AFFAIRS GROUP

TRANSMISSION: Tuesday 26 May 2009 2000 - 2040

REPEAT: Sunday 31 May 2009 1700 - 1740

REPORTER: Allan Urry

PRODUCER: Karen Kiernan

EDITOR: David Ross

PROGRAMME NUMBER: 09VQ4546LH0

THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

“FILE ON 4”

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URRY: Last week Lloyds were left looking for a new chairman.

EXTRACT FROM NEWS

NEWSREADER: The head of Lloyds Banking Group is to step down. He faced pressure over the buyout of the struggling HBOS group ...

URRY: The bank’s decision to buy HBOS, which announced losses close to £11 billion, was a step too far. Corporate takeovers and sub prime lending all played a role, but what was happening on the shop floor? Tonight we report on the inside story of irregular lending at one branch of HBOS. It’s a shocking insight into the reckless culture which brought the bank down.

WINCH: This bank lent enormous amounts of money to customers with security which proved to be worth nothing like the amount it was lending.

URRY: Have you ever seen anything like this?

WINCH: I've never seen anything like this with these sorts of figures.

URRY: Companies which borrowed from the bank were told they'd be rescued, but some say they were wrecked. MPs are calling on the bank's new owners, Lloyds, to stop avoiding the issue and face up to their responsibilities.

PAICE: The bigger public issue here is that a bank, which has now been bailed out to a massive extent by the taxpayer, got into very very serious trouble. Part of that is due to the fact that their lending policies, as practiced in this particular office, were dubious to say the least.

SIGNATURE TUNE

ACTUALITY WITH AWARDS

URRY: Big box.

FREER: Yes, it's all the awards that we had. I stored them away here. As you can see there's a lot of them.

URRY: Entrepreneur Joanne Freer impressed her regional development agency so much they gave her a leadership award. It was one of many.

FREER: This is Mother and Baby awards, where Mother and Baby magazine awarded us Most Environmentally Friendly Product. I've also got the Cedar Leadership Award for the South East for our business strategy as well.

URRY: But her framed certificates don't hang on the wall, they're kept in a cupboard. She no longer has the business she and her husband set up, making and selling re-usable nappies.

FREER: When I was pregnant with Daniel, my first son, I had researched about nappies and found a lot of information which led me to believe that cotton nappies were a better choice for my baby. And when I started to use cotton nappies, which were ones from America, everybody, wherever I went to change my baby, they asked me about them. And that led to me thinking well, if I feel like this and other people are interested, there's probably a lot of people who want to do this, so I decided to start the business, Cotton Bottoms.

URRY: It wasn't just you who liked this idea, was it? There were, you know, government bodies who were quite impressed as well.

FREER: Yes, that's right. Well, I'd worked out that for every baby that used my nappy service, the Government would be saving a ton of waste going to landfill. So the way that we did business in a sustainable way, fair trade way and an environmentally friendly way were all attractive things that aligned with the brands of Boots the Chemist, Waitrose, John Lewis, all of those - and the Co-Op as well. So we had a lot of support from them.

URRY: Joanne's company wasn't making a profit because her business was growing rapidly, and when that happens, cash flow often becomes a problem. Big orders were coming in from those high street names, so she approached her bank for a loan.

FREER: They put in a facility of £400,000

URRY: Did that loan come with other conditions?

FREER: Yes it did. And some of the conditions were not very palatable. They introduced an organisation called Quayside Corporate Services, and a man called Michael Bancroft who worked for Quayside Corporate Services.

URRY: The bank was the Reading branch of HBOS, and Quayside were external consultants. Quayside were said to be business hotshots, supposed to be skilled at assessing a firm's potential and helping it move forward. It's known in the

URRY cont: trade as turnaround. The bank would only agree to the loan on condition they were hired, and it was Joanne Freer's company which paid their fees. There was a further price to pay, something again the bank was insisting upon.

FREER: One of the conditions was that Michael Bancroft would have to be on our Board of Directors as a non-executive director, attending our board meetings.

URRY: You agreed to it though?

FREER: I did agree to it because I wanted to get on with running my business. But the thing that I didn't agree with, an executive at the bank put in the condition of Michael Bancroft being paid £18,000 a year on our board for attending once a month, and he also put in the condition that over and above the 1% fee they were already charging us on the £400,000 which they were loaning to us, he wanted to levy a further £60,000 one-off arrangement fee. I thought it was very unfair and very unusual.

URRY: She contested the fee successfully and the bank reduced its demand to £20,000. Then, as she prepared for a short maternity leave for her fourth child, the bank insisted Mr Bancroft cover for her - at a cost of a further £2,000 a week. Perhaps such fees were justified if he was taking key decisions to improve the business. But Joanne Freer argues he wasn't.

FREER: Michael Bancroft's plan was to get rid of everybody who was driving the business forward and I just couldn't understand why he would do that, because effectively it would kill the business, because we'd be getting rid of the people generating the turnover in the business. And I ...

URRY: What sort of jobs were they doing?

FREER: They were doing things like sales and PR and the website developer who'd taken our website from £2,000 a month up to £20,000 a month in the short time that he was there. Michael wanted to get rid of all of those people.

URRY: Did he say why?

FREER: He said that we needed to reduce overheads, which I agreed that we did need to reduce overheads, but I didn't agree in the way that he was doing it.

URRY: Joanne Freer had to fight off the redundancy plan with her lawyers. Boardroom meetings had become unpleasant and characterised by disagreement between Mrs Freer and Mr Bancroft. Within eight months, her business, far from being turned around, was going under. Fees to the bank and its agents were a huge burden, boardroom battles had robbed the firm of its vitality, sales had collapsed, her marriage had fallen apart and the bank then called in the loan. The award-winning entrepreneur Joanne Freer was left surveying the wreckage of her dream, and wondering what hit her.

FREER: We were put into administration because of our bank funding being pulled, and I found a buyer, it was the only solution that I had left. One of the biggest companies in our sector was making acquisitions at that time and they bought our company out of administration.

URRY: Did you get a good deal?

FREER: We were sold off really cheap and everything we owned was sold off really cheap, it was really essentially what we'd built up over the last seven years.

URRY: How's that left your personal situation?

FREER: It left me completely penniless, because we'd sold property, we'd cashed endowments, we'd sold everything that we had, and everything we had was in the building and was in the business, and we lost everything because of that. So for me it was a really devastating time because I lost not only my business but my marriage, so obviously, you know, my life completely changed from where I was to where I am now.

URRY: A letter to File on 4 from Michael Bancroft's solicitors characterised Mrs Freer as irrational, rude, un-cooperative and obstructive, and that her company lacked stable and mature management. Mr Bancroft refused to be interviewed, so we were unable to question him about unauthorised personal expenditure he ran up as the boss of a textile firm in 1991. The company forced him to pay back nearly £1.5 million and accepted his resignation. It's true that sometimes businesses can't be saved by turnaround, even with everybody's best endeavours, but our investigation raises serious questions about the way HBOS lent money, and the close relationship between one of its managers and the team of turnaround consultants he favoured.

ACTUALITY IN READING

URRY: Beauclerc House, 3 Queens Road, Reading, It sits among other office blocks and shops near the River Kennett. This red brick building close to a ring road was home to HBOS's high risk team, itself part of the much bigger corporate division which lost billions on bad loans. High risk lent to businesses in distress, and a senior figure within the team was called Lynden Scourfield. Mr Scourfield was here before the banking crisis, at a time of easy credit - very easy, as it turned out. He put a lot of work the way of Quayside Corporate Services, the turnaround consultants. They were led by a former banker, businessman David Mills, and included Michael Bancroft, with whom the entrepreneur Joanne Freer had had such a torrid time.

HOLLIGAN: I found Michael Bancroft to be a very volatile person. He had mood swings which were unexplainable. One day he was charming and the next he could be an absolute lunatic, you just didn't know what you were going to get at any one time in the day.

URRY: Business consultant Terry Holligan was hired through Quayside and became part of the inner circle for a short while whilst trying to help turn around a textile firm called Magenta. He noticed David Mills, bank manager Lynden Scourfield and Michael Bancroft liked the high life.

HOLLIGAN: There was a chauffeur-driven car outside Magenta most of the day for him and David to go wherever they wished to go, and Lynden if he was in town. On a Friday he used to book to sort of go car racing at I think it was Silverstone, they used to have special days where Michael used to like doing that, so they'd hire cars and go to Silverstone sort of for the day out. They liked to go horseracing, particularly David Mills, but typically Michael Bancroft and Lynden as well.

URRY: Lynden Scourfield wasn't averse to mixing business with pleasure. His 42nd birthday party was a lavish affair at a swanky London nightclub, which was also borrowing money from his Reading branch. In fact, according to documents we've obtained, the club paid his drinks bill of well over a £1,000. One of the club's directors took exception to this and other matters, and through solicitors wrote to complain, but nothing seemed to come of it. Terry Holligan meanwhile was using his 25 years experience in the textiles industry to try to rescue a tie manufacturing company, part of the Magenta business. Lynden Scourfield's high risk team at Reading held the company account and borrowings were already large when, in 2005, Mr Holligan was hired as managing director. Two other directors were Quayside's Michael Bancroft and David Mills, and all was not well.

HOLLIGAN: It had actually lost two accounts, main accounts which were a Marks & Spencer account and a Next account, so it actually its turnover was about £2 million. And then also I found that the team inside the business were, some of them were already leaving or some of them were already on notice, so it was a strange situation that you, my job is to put the business right. But when I sort of went in to have a look at it, it was already sort of sort of upon its knees. It already had an overdraft of £13 million in place.

URRY: It's a big debt to service, that, isn't it?

HOLLIGAN: Well, it's too much of a debt to service when they think that you've just lost two main accounts - Next and Marks & Spencer, and that's when I started to think I was fighting sort of a losing battle, but it was a battle worth taking on or because I seemed to have the support of the bank and also the directors inside the company.

URRY: With turnover at about £2 million, Terry Holligan was asked to draw up a business plan to put up to the bank to borrow even more money. He says he was under pressure to make that plan as optimistic as possible, but then he discovered input from other directors had taken it much further than he was comfortable with.

HOLLIGAN: I was astounded when I saw the business plan. The bank had been told in the first year £5 million was going to be achieved, the second year £10 million and the third year £15 million. Well, based on that, if I was the bank and I actually got that business plan, I would think everything was fine and the business was in good shape or was going to be in good shape.

URRY: But wouldn't the bank have put that plan to the test before lending the money?

HOLLIGAN: Well I would have expected the bank and I would have expected Lynden Scarfield to have at least discussed it with me, knowing that the business was in dire straits and in so much trouble, that I used to see him at least every week and he never mentioned it to me once. I had to mention it to him, and then when I did mention it to him he said, 'Discuss it with Michael but the business plan is fine, we've got it thank you very much.'

URRY: Mr Holligan was fired as managing director after falling out with Michael Bancroft later that year. But it turned out the business plan wasn't so fine after all. Over-optimistic sales figures were never achieved by the time two years later the group went into administration. Mr Scourfield's apparent indifference to the concerns which Mr Holligan says he tried to raise, eventually cost his bank more than £20 million. Quayside's David Mills also refused to be interviewed for this programme, but in a letter he told us that the controversial plan which triggered more bank lending had been amended after Terry Holligan's departure, with risk factors added before full validation from accountants. It didn't stop the company crashing, with the bank's exposure almost doubling in four years. So what was going on? Conservative MP James Paice has been taking up the concerns of other businesses which failed under the financial stewardship of HBOS at Reading and Quayside consultants.

PAICE: The main common feature seemed to be that they had all been told by the then manager, Mr Scourfield, that Quayside Services had to be appointed by their business to advise as consultants in terms of getting their businesses out of the trouble that the bank perceived them to be in, although some of them argue they weren't in trouble. And that subsequently Quayside would then put forward a new business plan involving quite a significant increase in borrowing, which was granted by Mr Scourfield, and then the businesses ended up becoming bankrupt, and in some cases being disposed of to associate companies it appears of Quayside. What I can be sure of though is that the businesses got into a far worse state than it need have done by the involvement of Quayside.

URRY: Again, David Mills wouldn't be interviewed, but in statements he told us he'd had many successes in turnaround and many dealings with different banks, suggesting the cases we've been looking at were those more likely to fail anyway. But, the MP James Paice's conclusions are troubling so File on 4 commissioned a forensic accountant to examine HBOS loans from its high risk team at Reading, in more detail.

WINCH: Here we have a situation where this bank lent enormous amounts of money to customers with the security, which in the event proved to be worth nothing like the amount it was lending. And yet this lending wasn't just a one off to one company and it wasn't just over a short period of time, over a matter of months or something like that.

URRY: Accountant David Winch discovered there was a pattern to the reckless lending to companies linked to Quayside or David Mills.

WINCH: We have identified different companies which had borrowed large amounts of money. Where we've looked in detail at the history of these cases we have seen them go on for years with greater and greater borrowings, where there was clear and obvious risks to the bank that this money couldn't be repaid, and yet the borrowing has gone on and increased. That is remarkable in the extreme.

URRY: Have you ever seen anything like this?

WINCH: I've never seen anything like this with these sorts of figures. We're talking of losses suffered by the bank of £250 million. Even for a large organisation, to lose £250 million like this is quite shocking.

URRY: Those losses are all the more shocking because they're more than 90% of the total loans of £275 million to just thirteen companies.

ACTUALITY IN SOUTHAMPTON

URRY: The biggest hit for HBOS came from the failure of an airline group, Corporate Jet Services, or CJS, based at Southampton airport. At the heart of the company were luxury private jets, on hire for the super-rich. In 2002 the organisation rose from the ashes of administration, thanks to a generous loan from the bank, and although celebrities like Simon Cowell and Jodie Kidd were indulged with free flights to try to boost the firm's sales and profile, it never really took off. And according to forensic accountant David Winch, there were serious doubts that it ever would.

WINCH: Straightaway, the company, when it was set up, purchased assets of a previous company and paid £13 million for those assets, and that was borrowed money, so you've got immediately a very large interest bill to pay on that borrowed money. In the first year of operation, the company's takings - what it got for hiring out its aeroplanes - were about £1.5 million to £2 million, but its expenditure, including the interest that it was paying, was about £8 million, so it was losing money hand over fist at the beginning, but the intention must have been that in the second and third and fourth years a lot more income would come in, the company would be more successful in hiring out its planes and it would make sufficient money to cover the cost of running the planes and also the interest charges. It was always going to be up against it because of the money it had borrowed to begin with and because it needed to sell itself to a particular niche market.

URRY: The only thing which really flew was borrowing from the bank. An agreed overdraft of less than a million had already soared to more than £28 million by 2006, according to an auditor's report. The report even warns that the overdraft hadn't been formally renewed, and that bank support could be withdrawn at any

URRY cont: time. But it wasn't. Bank manager Lynden Scourfield was on the case. He seemed prepared to go the extra mile or ten for CJS, even giving up two weekends to be flown by the firm's luxury private jets down to the plush Mediterranean resort of Cannes in the South of France, according to flight manifest records. Those records don't show who paid for the trips. And in common with the way Mr Scourfield did business, Quayside's David Mills had been appointed from the start to sit on the board as a non-executive director, with authority to report regularly to the bank. Mr. Mills even took a controlling interest in the company in October 2005. When, the following year, Neil Marshall was hired as sales and marketing manager for the principal jet firm in the group, he found him a distant figure.

MARSHALL: David Mills was introduced to me as the top man.

URRY: What were your first impressions?

MARSHALL: He was a well put together man, smart, had the trappings of a good lifestyle.

URRY: And how was he running the business then, personally?

MARSHALL: On a day to day business, not at all. It had no association with him, occasional phone call but no, didn't have anything to do with him on a daily basis.

URRY: Neil Marshall's concerns about the way the company was being run began to grow.

MARSHALL: I would have expected to have more a hands on way, but we didn't see that.

URRY: Any evidence that costs were under control?

MARSHALL: No, no, no sign of, you know, the big finger wagging to, you know, either reduce costs or not let them escalate, certainly. There was nothing, no finger wagging done like that at all. All we were instructed to do was to improve sales. That was all we were doing.

URRY: What about budgets that were set?

MARSHALL: There weren't really any budgets. There was a marginal sort of marketing budget, there was no real, I mean Aviation is very expensive and you needed sort of to control these costs at a much much more detailed level.

URRY: And you didn't see any evidence of that going on at all?

MARSHALL: None whatsoever.

URRY: And while the bank lent and the airline spent, business lurched from bad to worse. Even so, money from CJS was used to help with the purchase of a luxury yacht. The company also agreed to pay a monthly fee to have the yacht available to hire out. This puzzled marketing director, Neil Marshall.

MARSHALL: Their business is to run and manage private jets and a yacht was a distraction, an unnecessary distraction.

URRY: But wouldn't the kind of people flying on private jets not also have the money to spend on chartering a yacht for a few days?

MARSHALL: People that use yachts are pretty hard core knowledgeable people. There are established international yacht broking companies that do this, why would they want to come to us to hire a yacht?

URRY: And did the company make any money out of the yacht?

MARSHALL: Not to my knowledge, it was not chartered once, certainly in my time it wasn't chartered once.

URRY: So it wasn't being chartered, at least not during your time there, was there anyone that was using it?

MARSHALL: Well I know when the yacht got delivered, Mr and Mrs Mills had some time on that.

URRY: Perhaps not surprising, because it turns out he owned it. David Mills, the man who says he was on the board simply to look after the bank's interest, bought this 100 foot luxury motor cruiser through another firm of his. But £239,000 towards the deposit was charged to CJS, as was the £15,000 monthly fee. Mr Mills told us it was used for marketing purposes. Whether the yacht was a success or not, Corporate Jet Services crashed and burned the next year. According to David Winch, the accountant asked by File on 4 to review company documents, there were huge losses.

WINCH: When the administrators were finally called in, they established that the bank was owed £113 million by Corporate Jet Services. That included an overdraft figure of something of the order of £60 million and also longer term loans.

URRY: How much of that did they actually get back?

WINCH: From the sale of an aeroplane they recovered £7.4 million and that is the only figure that I've been able to establish that the administrators actually recovered for the bank, so that left the bank rather more than £100 million out of pocket in respect of Corporate Jet Services.

URRY: Was there any effective bank oversight of these lendings, particularly the overdraft, which just seemed to have completely gone out of control?

WINCH: It is astonishing that a company could have been allowed an overdraft of £800,000 initially in 2002 and that had been allowed to rise and rise and rise until it reached £60 million five years later.

URRY: Not only that, there's no record of the overdraft getting formal authorisation from the bank. There were no published accounts after October 2005, when David Mills became the controlling shareholder. Other paperwork we've obtained shows he still owns the 100 foot luxury yacht. So with Mr Mills the turnaround expert, and the Bank of Scotland's Lynden Scourfield so closely involved, how could it have gone so badly wrong? As concerns about the jet company began to mount in advance of its collapse, his reign at the high risk branch in Reading was coming to an end. Small businesses which had been also borrowing from there were hearing alarm bells. Nikki Turner and her husband had appointments with Lynden Scourfield to discuss their loans, but it became obvious to her all was not well at the Reading branch.

TURNER: I rang his PA and he told me in a very sort of polite way that Lynden was on indefinite sick leave, and I've got to tell you that this person has been brought in to close all of the credit lines on all of Lynden's two hundred customers.

URRY: All of them?

TURNER: That's what he said at the time. The meeting was on the Tuesday, and on the Saturday there was an article in the paper that said HBOS suspends rogue banker. We realised that Lynden hadn't been on sick leave, that he'd been suspended from the bank and we felt oh well, that explains it.

URRY: The Turners were right, Lynden Scourfield had been suspended from duty, and in late April 2007 he resigned from HBOS. At first journalists were told it was because of unauthorised lending. Nowadays, the new owners of HBOS, Lloyds, prefer to characterise the behaviour as "over-supportive". Mr Scourfield refused to be interviewed by File on 4. But managers are supposed to have their loans checked and signed off by systems within their banks, so what happened at HBOS? There's been a wall of silence around the issue when we've made enquiries. Few have said much, even off the record. The one former senior employee who was prepared to go on the record says even he can't understand what happened at Reading. Paul Moore was the head of the bank's group regulatory risk for some of the time in question. Formerly a very senior figure within HBOS, we asked Mr Moore whether the bank had systems in place which should have detected the "over supportive" lending.

MOORE: The sorts of sizes of loans that you're talking about, once they get to a certain size – probably half a million to a million – they'd probably go right up to the top credit risk committee within the corporate bank. That credit risk committee must apply the standards set by the group risk function, so that's the way it would work.

URRY: Mr Scourfield left the bank, the bank's position at the time was that he's left because there's been unauthorised lending taking place. What does unauthorised lending mean to you?

MOORE: Well, it sounds to me like he breached the rules and standards that were set. How he could do that on his own is kind of beyond my comprehension, because at the end of the day, I'm trying to lend, you know, a million pounds to you against the rules. Somebody's got to press the button and transfer the money into your account, so how does that happen? So I find that rather odd. As a regulatory risk specialist, when something like that happened I would expect there to be an investigation.

URRY: The wall of silence continues. New owners Lloyds wouldn't tell us whether there's been an investigation, but the manner of Mr Scourfield's departure suggests there has. So why are they keeping quiet about it? It could be because they are embarrassed by the failures of their own systems. We asked financial journalist, Ian Fraser, to research the bank's credit checking procedures. He discovered they had a built in potential for conflict of interest.

FRASER: One of the differences between HBOS and other banks was that HBOS did not have a separate credit team, ie a team of people who were distant from the customers and from the individual companies, but whose sole job was to check their creditworthiness and whether or not they were on track to repay their loans or could repay their loans. So, in the case of HBOS, it would appear that the people who are responsible for sales and relationships, ie the ones who got the big bonuses from issuing new loans, were also responsible for checking the credit. They didn't have a separate credit team. I do think this is a serious flaw which may have been one of the reasons why it got so out of control.

URRY: Isn't it in the bank's interests to make sure that corporate governance is as good as it should be?

FRASER: If their priority is to basically grow the bottom line, ie increase their profits, to be able to constantly write lots of new loans is actually quite a good thing, because it boasts the short term profitability of the bank. But if you want your bank to have a long term sustainable future, it's not such good practice, because what will eventually happen is, if you've got very bad credit checking and very poor risk management, that the whole thing will implode on you. And you may have created some nice short term profit by writing lots of new loans, but you've actually created a basket case of a bank which has no which has no future.

URRY: A basket case bank which paid big bonuses for those who booked big loans. Even so, the banks lost £250 million and you'd have expected it to be more careful. It's a point not lost on some small businesses, who say they were ruined by the lending irregularities at Reading.

ACTUALITY IN PAWN SHOP

TURNER: The guitar was a present actually from an Italian film star [strums guitar]

URRY: Nikki Turner and her husband Paul set themselves up in business as music producers and publishers based in Cambridge, but most of their equipment now sits in their local pawn shop.

TURNER: This, we brought this one in in October 2007 and I thought I'd have it back by Christmas 2007.

URRY: The bank says the Turners owe more than £1 million, but the Turners allege their business is one of those which suffered under Lynden Scourfield's reign at Reading. Not only does the bank strongly dispute the Turners' version of events in what is a complex case, they've issued legal proceedings to try to seize the

URRY cont: family home. Their business account has been frozen in the dispute, and they can't pay their mortgage, because they can't run their business. Paul Turner has presented his own case in court, against the mighty bank and their well paid lawyers.

PAUL TURNER: We went to court on the grounds that it was totally inequitable, and the judge listened and totally agreed and said there was no way he was going to grant an eviction warrant, it was grossly inequitable - those were his words - and that the bank should meet with us and resolve the issues, and six months later he'd have a review to, as he put it, tie up the loose ends. But the bank didn't want to meet with us. I tried, I tried on many occasions to get them to meet with us in a consensual and constructive manner, and they essentially wrote to say that they'd said all that they were going to say and they saw no point in complying essentially.

URRY: The matter is still in dispute. There've been other court hearings since, but with no resolution. The Turners are still under threat of eviction. But the family are also on a bigger mission. They've been trying to get the bank to take responsibility for what happened and admit wrongdoing, so they say they won't accept the bank's offer to settle unless that happens. Nikki Turner insists they've put plenty of evidence before them.

TURNER: All the way through actually, as we were discovering things and we were writing to the bank, and we were imagining that people very high up in the bank certainly wouldn't know that this was going on and that they would be as surprised as we were, and so we were telling them what we were discovering. And at one stage we got a letter from their solicitor saying that we were making very serious allegations and that if there was any evidence of this we should either send it to them or go to the police, so we did. We went to the Cambridge Fraud Squad actually, because you have to go to your local fraud squad, but they weren't able to do anything because the bank itself was the main victim and the bank said there was nothing wrong. After that we wrote to the entire board of HBOS, laying out exactly what we'd discovered, naming the companies, how much they'd gone down for, when Quayside went in, what had happened to those companies, and by this time we're talking to other people who've been in the same position and so we can give very precise details, and they just didn't want to know.

URRY: And it seems new owners Lloyds have picked up where HBOS left off, refusing to accept any wrongdoing on their part. But it won't go away. Others who say they've suffered a similar fate have joined the Turners' campaign. MPs have become involved, trying to broker a settlement between the bank and their constituents. Conservative James Paice, who is the Turners' MP, agrees there's something wrong. But he says Lloyds won't accept the concerns of the business people for whom he speaks.

PAICE: The words we used was 'the whole thing stinks' and the agreement from all the businesses that had been affected, that they were concerned that the bank wasn't addressing the fundamental issues, which was their allegations of wrongdoing by the bank's officials at the time, which had led them into these very difficult financial situations.

URRY: Do they have a point?

PAICE: Well I think they do. There's no doubt at all, in my view, that they have been very badly treated by the bank. We have been trying to resolve it – myself and my fellow MPs – trying to resolve it directly with Lloyds group. We haven't taken it any further, we've always said to the bank that our next course of action, should we not be satisfied with the conclusion of these discussions, was to raise it in Parliament where, if necessary, we can use privilege to perhaps go further than I can in this interview about our concerns.

URRY: What do you think the bigger public issue is here then?

PAICE: Well the bigger public issue here is that a bank, which has now been bailed out to a massive extent by the taxpayer, got into very very serious trouble, as everybody knows, and it appears that part of that is due to the fact that their lending policies, as practiced in this particular office, were dubious to say the least, and it looks from the outside as if some of their officials were acting wholly improperly.

URRY: No-one from the bank would be interviewed. But in a statement we were told:

READER IN STUDIO: We simply cannot comment on individual circumstances. However, we strongly believe that we have acted throughout in a fair and responsible way. Bank of Scotland deals in a sensitive and fair way with all of its corporate banking customers, including those experiencing difficulties. We stand by our customers and support them closely in managing their financial difficulties.

URRY: The Turners don't think so, but apart from their MP, few have been prepared to listen to their concerns. Now, the Liberal Democrat Treasury spokesman Vince Cable, who's led much of the criticism about bank behaviour since the economic crisis, says it's high time the regulator stepped in. He's calling on the Financial Services Authority to carry out a wide ranging investigation.

CABLE: The responsibility does lie with the Financial Services Authority. They are the financial regulators, they oversaw the banking system. There clearly was a failure of supervision within the organisation itself. But now that we're at the stage of trying to find out what happened, I think it would be proper for me or for the constituency MP whose companies have been affected by bad behaviour by this bank to seek an investigation by the FSA.

URRY: Do you know, in detail, why that supervision didn't work?

CABLE: I don't know in detail. I can remember having debates with people in the FSA five years ago about some of these problems that were building up in response of lending and they didn't take it fundamentally very seriously, but they weren't the only people. We do need to get to the bottom of this, why there were failures of supervision, why the directors of the bank didn't do their job. I'm sure Lloyds, who've taken it over, are doing a very thorough internal investigation for their own reasons, but nobody, to the best of my knowledge, is investigating this in the wider public interest.

URRY: We wanted to interview the FSA about the matters uncovered by our investigation, but they said they wouldn't comment on individual cases, and they didn't tell us anything at all. Lloyds wouldn't appear in this programme to discuss the issues either. So now MPs have decided to debate the matter on the floor of the House

