UK Lloyds Banking Group to shed another 9,000 jobs and close 200 branches

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The UK Lloyds Banking Group confirmed this week that it will cut 9,000 jobs over the next three years, along with the closure of 200 of its more than 2,000 branches.

Treasury has a 24 percent stake in Lloyds, Britain's largest mortgage provider. Lloyds was bailed out and partly nationalised, along with other leading UK banks, in the aftermath of the global financial collapse in 2008.

The job losses equate to 10 percent of its workforce and follow 43,000 job losses already forced through since 2008. The restructuring is part of a three-year strategy, with Lloyds planning to make £1 billion a year in cost savings by 2017. Over this period Lloyds will invest £1.6 billion in order to automate much of its basic banking services. It will open 50 new branches whilst the 200 are closed, equating to a cut in its total branch network of about 6 percent.

Every bank is carrying out similar rationalisations, using advances in digital technology to carry out thousands of redundancies. By the end of 2013 it was estimated that just the four biggest British banks alone had shed 189,000 jobs internationally since 2008. Royal Bank of Scotland, Lloyds Banking Group, Barclays and HSBC cut their global workforce by 24 percent to a nine-year low of 606,000, compared with their pre-crisis peak of 795,000 in 2008.

Barclays is to close a quarter of its 1,600 branches in the medium term and this year announced it would shed 19,000 jobs from its 140,000-strong workforce over the next two years. The Royal Bank of Scotland is planning to cut up to 30,000 jobs globally.

Lloyds' restructuring follows a report from the British Bankers' Association finding that UK bank customers were now making almost £1 billion worth of mobile and Internet transactions every day. Accordingly, footfall in bank branches has fallen roughly 10 percent a year.

The job losses and branch closures are integral to Lloyds stated mission of reducing its cost-income ratio from its existing level of slightly above 50 percent, already the lowest of any of the big UK banks. Speaking about the restructuring, Antonio Horta-Osorio, the bank's chief executive, said, "We want to be as lean and as mean as possible".

This is the refrain of every bank, with the *Financial Times* noting they are "scrambling to cut costs". Autonomous Research recently published data revealing the average cost of servicing a client in a branch is $4 per visit, while at a cash point it is 48 cents. Customers using online or mobile channels cost banks only 4 cents.

Lloyds is going on the offensive in closing branches as a three year period when it was unable to cut their number is set to expire in December. It had made a commitment to keep the branches as part of its 2008 takeover of Halifax Bank of Scotland (HBOS).

The trade unions as usual will not lift a finger to defend a single job. The main concern of the Unite trade union was that news of the job losses was leaked out earlier than expected. In a statement it said confirmation that 9,000 jobs were to go "follows last week's leak of the job losses. The leak led to calls by the union for financial regulators to investigate how potentially market sensitive information has repeatedly found its way into the public domain".

Job losses can go by the thousands as long as they are not compulsory, according to the standard position of the British trade unions. Unite national officer Rob MacGregor said, "We will be pressing Lloyds for clarity and for guarantees over no compulsory redundancies". The union is also planning for a scenario of compulsory job losses, with MacGregor adding, “If there are compulsory redundancies or customer service suffers then executive pay should be cut”.

While workers will suffer from the cuts, Lloyds, as with the other bailed out banks, are heading rapidly towards pre-2008 levels of profitability.

The *Financial Times* commented on Lloyds’ plans: “With such cost-saving measures and growth plans in the pipeline, the bank said it was targeting a return on equity—a key measure of profitability—of around 13.5-15 percent by the end of 2017, a level not seen since before the financial crisis.”

Lloyds made pre-tax losses of £570 million in 2012, after losses of £3.5 billion the previous year. In the third-quarter of 2014, the bank posted pre-tax statutory profits of £751 million, reversing a loss of £440 million from the same period last year.

This recovery in profits has only been possible as the result of the original bailout of the banks, organised with no public mandate, by the then Labour Party government. Labour also began a quantitative easing (QE) scheme, continued by the Conservative Liberal Democrat government, which further satiated the banks with £375 billion of virtually unlimited free credit, allowing them to continue with the orgy of speculation that sparked the financial crisis in the first place.

As a result of the vast amounts of free money being shovelled at them Lloyds fully expects to reap further profits, recently announcing a target of an additional £30 billion of loans to customers over the next three years, with the aim of increasing its stock of mortgage lending by £20 billion.

Lloyds and Bank of Scotland (BoS), with whom it merged as part of a post-financial crisis restructuring, were the biggest beneficiaries of the bailout, receiving £90 billion between 2009 and 2012 when the scheme closed, for which they paid £1.28 billion in fees, or just 1.4 percent. Lloyds then sought to save even more, rigging the rate to reduce the fees it paid by £7.8 million, a tiny sum overall. This scam in turn allowed other banks to have their fees reduced, increasing costs to the taxpayer.

No one was held to account for this, with the Lloyds group fined just £70 million.

Lloyds is reporting growing profits despite having to put aside a further £900 million to pay compensation to people to whom they had miss-sold insurance or payment protection (PPI). PPI was typically added to loans or credit cards without customers’ knowledge, or without them fully understanding what it was or whether they in fact needed it at all. Lloyds already had the largest PPI bill of any lender.

The bank was also involved in the rigging of the Libor (London Interbank Offered Rate). Libor is the benchmark global interest rate to which hundreds of trillions of dollars of financial contracts are tied. For this it was fined just £35 million.

Indeed for all these criminal and semi-criminal practises the bank has been fined a total of just £200 million over the last six years. As with other financial institutions internationally, they engaged in such skulduggery both to increase profits and conceal their increasingly precarious financial position.

Lloyds, like many of the world’s leading financial institutions, remains in a perilous position. It was among four British banks to be “stressed tested” recently by the European Banking Authority (EBA). A total of 123 banks were tested and Lloyds received the lowest score of Europe’s 30 biggest banks by market capitalisation. Lloyds only just passed the test while 24 other banks failed. The European Central Bank, simultaneously tested banks from 11 eurozone countries, with 25 failing.

Commenting on the findings, the *Guardian* stated there was a “€25bn (£19.6bn) capital hole in the continent’s banking system at a time of renewed fears that the five-year-long eurozone crisis may be flaring up again.”