

Lloyds Banking Group

10:40 09 Sep 2019

Lloyds suspends share buybacks after surge in PPI claims result in further hit of up to £1.8bn

Lloyds Banking Group PLC (LON:LLOY) has suspended its share buyback programme after a late surge in complaints about mis-sold payment protection insurance led to a higher-than-expected charge.

The bank expects to take a charge of between £1.2bn and £1.8bn for PPI claims, on top of the £650m it set aside in the first half.

Like the rest of its banking peers, Lloyds was hit by spike in complaints in the final weeks leading up to the Financial Conduct Authority's 29 August deadline. The lender said it received about 600,000 to 800,000 claims per week, much more than the 190,000 per week it had expected.

After Royal Bank of Scotland Group PLC (LON:RBS) and Virgin Money owner CYBG PLC (LON:CYBG) were also hit by bigger than expected PPI claims, analysts warned that Lloyds and others were likely to be similarly hit.

Lloyds to miss capital and return on equity targets

Lloyds warned that the unprecedented level of PPI claims means it will miss its capital build target of 170 to 200 basis points per year in 2019. It added that expects its statutory return on tangible equity to be lower than its 2019 guidance of about 12%, with the final outcome depending on the actual charge.

"In line with its prudent approach, and the uncertainty around the final outcome for PPI, the board has decided to suspend the remainder of the 2019 buyback programme, with circa £600m of the up to £1.75bn programme expected to be unused at mid-September," Lloyds said.

"In line with normal practice, the board will give consideration to the distribution of surplus capital at the year end and continues to target a progressive and sustainable ordinary dividend."

As previously reported, Lloyds said the level of capital required to grow the business, meet regulatory requirements and cover uncertainties reduced earlier this year from around 13% to around 12.5%, plus a management buffer of around 1%.

Lloyds has paid out more than £20bn for mis-sold PPI. It set aside a further £500m for claims in the first half with an unutilised provision of £1.08bn.

Shares fell 1.9% to 49p in morning trading.

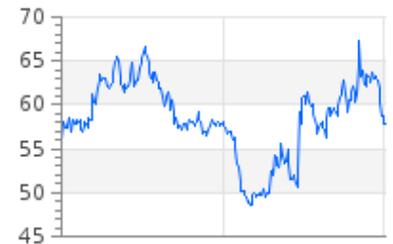
Extra costs knock investment case for Lloyds, says analyst

"Using the mid-point of the new claims provision of £1.5 billion, that takes Lloyds' total bill for conduct and PPI claims in 2019 to £2.3 billion and the total since the very first charges in Q1 2011 to £27.3 billion - that compares to the £15.2

Price: 58.45

Market Cap: £40.95 billion

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: LLOY

Listing: LSE

52 week High Low
73.66 48.1559

Sector: Banks

Website: www.lloydsbankinggroup.com

Company Synopsis:

Lloyds Banking Group has many household names like Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, focused on personal and commercial customers.

action@proactiveinvestors.com

billion the bank earned in pre-tax profit between 2011 and 2018," said AJ Bell investment director Russ Mould.

"The extra costs do knock the investment case for Lloyds, as they hit return on equity, hamper the bank's plans to build up its capital buffers and therefore its ability to distribute spare cash once regulators are satisfied that it has sufficient financial ammunition to withstand any future crisis."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.