



**BANK OF ENGLAND**

# News release

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## **Publication of the PRA and FCA review into the failure of HBOS**

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) are today publishing the Review into the failure of HBOS Group. This review was originally started by the former regulator, the Financial Services Authority (FSA). Its purpose is to analyse the causes of the firm's failure, and to draw out lessons for the future, for both the industry and the regulatory system as a whole.

On 1 October 2008 HBOS was approaching a point at which it was no longer able to meet its liabilities as they fell due and so sought Emergency Liquidity Assistance from the Bank of England. This report seeks to explain why HBOS failed, the role that HBOS Board and senior management played in the failure and the FSA's supervision of HBOS.

The Review concludes that ultimate responsibility for the failure of HBOS rests with the Board and senior management. They failed to set an appropriate strategy for the firm's business and failed to challenge a flawed business model which placed inappropriate reliance on continuous growth without due regard to risks involved. In addition, flaws in the FSA's supervisory approach meant it did not appreciate the full extent of the risks HBOS was running and was not in a position to intervene before it was too late.

Andrew Bailey, Deputy Governor of the Bank of England, CEO of the PRA and Accountable Executive for the HBOS Review said

"The story of the failure of HBOS is important both to provide a record of an event which required a major contribution by the public purse, and because it is a story of the failure of a bank that did not undertake complicated activity or so-called racy investment banking. HBOS was at root a simple bank that nonetheless managed to create a big problem."

Sir Brian Pomeroy, Senior Independent Director at the Financial Conduct Authority and Chairman of the HBOS Review Steering Committee said:

"The review into HBOS has involved a dedicated team sourcing and considering a huge amount of material including reviewing around a quarter of a million documents and interviews with 80 key individuals. I am

hugely thankful for the painstaking work the team have done to compile a comprehensive report. While much has already been written about the failure of HBOS, I believe this to be the definitive account and to be a thorough, fair and balanced view of what occurred.”

As part of the Review, Andrew Green QC was asked to provide an independent assessment of whether the decisions taken on enforcement by the former regulator, the FSA, were reasonable. The PRA and FCA are therefore also today publishing Andrew Green QC's report into the FSA's enforcement actions following the failure of HBOS.

In his report, Andrew Green QC recommends that the PRA and FCA should now consider whether any former senior managers of HBOS should be the subject of an enforcement investigation with a view to prohibition proceedings.

The PRA and FCA will conclude a review as to whether further enforcement action should be taken as early as possible next year.

ENDS

Notes to Editors

- 1) [PRA and FCA report: The failure of HBOS plc](#)
- 2) [Andrew Green QC's report into the FSA's enforcement actions following the failure of HBOS](#)
- 3) [15 July 2014: Andrew Green QC appointed to review the FSA's enforcement decisions in relation to HBOS](#)
- 4) [11 July 2014: HBOS Report terms of reference](#)
- 5) [5 April 2013: PCBS publish report on HBOS 'An accident waiting to happen'](#)