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Libor legal battle could threaten validity of thousands of bank settlements at Lloyds



Exclusive: The outcome of a Libor-fixing case could reopen claims for compensation

JAMIE DUNKLEY | Wednesday 01 July 2015

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Thousands of legal settlements between banks and their customers relating to the mis-selling of interest rate swaps could be torn up as a result of a High Court battle between Lloyds

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Banking Group and the owner of a Wolverhampton-based property company, Gary Hartland.

Experts are warning that a Libor-fixing case brought by Mr Hartland's Wingate Associates against Lloyds could set a legal precedent allowing individuals to revisit settlement agreements that have already cost the banks billions of pounds.

Wingate Associates is claiming that a 2011 settlement over the mis-selling of an interest rate swap should be overturned because of the bank's involvement in fixing Libor. In Lloyds' defence document, the bank claims the settlement agreement should hold, and protect it from the Libor claim. The outcome of the case could affect thousands of similar settlements.

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Abhishek Sachdev, a derivatives expert at Vedanta Hedging, said: "The Wingate case is being carefully watched by the industry. If Lloyds attempts to strike it out on the basis of the 2011 settlement and fails it could open the door to hundreds, if not thousands, of individuals and companies attempting to rip up their agreements."

More than 12,000 settlement agreements on interest rate swaps have been reached under the Financial Conduct Authority redress scheme with a total value of close to £2bn. If just a fraction of these were to revisit their claims, the bill for the banks could run to hundreds of millions of pounds.

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Stephen Rosen, the head of financial disputes at law firm Collyer Bristow, said: "The value of claims out there is still very substantial. When you add Libor-fixing to a claim it can swell its value very quickly and matters such as consequential loss are brought into play."

Mr Hartland's claim against Lloyds is the second time he has sued a bank over Libor-fixing. In 2012 he brought a high-profile claim against Barclays – through the care homes operator, Guardian Care Homes, which he also ran – alleging fraudulent misrepresentation in respect of the bank's involvement in rigging the benchmark rate.

According to reports, the bank paid £40m out of court to settle the claim.

The current case against Lloyds is being brought by Hartland's property group Wingate Associates. In it he also alleges anti-competitive behaviour by Lloyds under European competition law.

A spokesman for Lloyds said: "As the matter is now subject to legal proceedings, it would be inappropriate to comment in any detail. However, having previously agreed a full and final settlement with the customer in 2011, we do not believe the matter has any merit and it will be vigorously contested."

The news comes as a number of banks face up to high-profile Libor claims brought by former borrowers. Rhino Enterprises, one of the largest storage companies in the UK until it was put into administration by Barclays, is suing the bank for £50m in relation to loans it took out prior to the credit crisis. As revealed by The Independent earlier this year, the case is likely to focus on the activities of the Ricardo Fund, a debt fund whose performance was closely linked to Libor.

Barclays has said it will "vigorously defend" the case.



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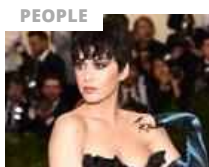
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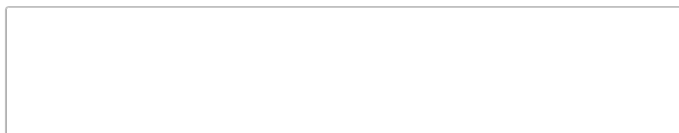
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