fastFT TSB Banking Group PLC

TSB swings into red in first half following IT debacle

Lender sets aside an extra £176m to deal with the aftermath of a disastrous upgrade

The costs of the IT crisis pushed TSB to its first ever loss © PA

Nicholas Megaw in London JULY 27 2018

TSB's IT fiasco has so far cost it £176m, the UK bank said on Friday, with further charges expected to accumulate after customers were left unable to access their bank accounts for weeks on end.

The costs of the crisis pushed the bank to its first ever loss, but the under-fire lender avoided the exodus of account holders that some had initially feared.

Paul Pester, TSB chief executive, said the bank was still experiencing issues with some services in branches but said "overall things are much improved", and the lender was hoping to "move back to normality" by opening up services that had been closed to new customers in the aftermath of the crisis.

The bank swung to a pre-tax loss of £107.4m for the first six months of 2018, from a profit of £108.3m in the same period last year.

TSB's woes began when it attempted to move customer data to a new IT platform, and Friday's bill confirms the debacle's status as one of the most expensive IT problems in British banking history, overtaking the Co-Operative Bank's £148m writedown on a new system in 2013.

TSB is expected to face further fines, which were not included in the £176m charges confirmed on Friday.

Ralph Coates, TSB finance director, said “it would be wrong to prejudge any regulatory outcomes”, but added that discussions with regulators had been “very constructive”.

Sam Woods, chief executive of the Prudential Regulation Authority, which regulates the UK’s biggest banks and insurers, told MPs earlier this month that only two previous events compared with TSB’s outage — Co-op’s 2013 writedown, and a 2012 IT meltdown at Royal Bank of Scotland which resulted in a £56m fine.

However, despite the pressure — including politicians and media decrying TSB as the “Totally Shambolic Bank” and calling for Mr Pester to be sacked — customers remained largely loyal to the lender. The bank suffered a net loss of just 6,000 of its 5.2m account holders during the second quarter, when the problems began.

Total customer deposits at the end of the period declined 1.2 per cent year on year, but the fall was caused by planned changes to pricing on its savings accounts. Current account balances continued to rise.

Benjie Creelan-Sandford, analyst at Jefferies, said: “Clearly uncertainty remains about further potential impacts, but some comfort may be taken that both loans and current account deposits remained in positive growth territory in the quarter.”

The IT problem has strained relations between TSB and its Spanish owner, with some senior figures inside TSB blaming Sabadell’s in-house IT provider for precipitating the crisis. The charges weighed on Sabadell’s own first-half results, also reported on Friday, driving a 67 per cent year-on-year fall in net profit.

Shares in Sabadell fell 3 per cent on Friday morning.

Mr Pester previously told MPs that TSB was looking to take direct control of its IT systems, a move which would sever one of its main structural links to its owners. On Friday he said the companies were “investigating different options” but added: “It’s something we’ll look at toward the end of the year — the real focus now is putting things back in order.”