Open letter to the board & shareholders of HSBC

Dear Directors and shareholders

The response by HSBC to resolutions put forward by the Midland Clawback Campaign in recent years has been, at best, misleading. This letter aims to clarify some points and seek a further response from the executive and non-executive directors.

You continually say that removing the unfair and indirectly discriminatory practice of pension clawback would be unfair to other scheme members. You do not say how this would be, nor can we see any justification for this comment in any of your statements. In addition, you say this would increase the risk of grievances being raised by members of other sections of the scheme. Surely, if there are unfair elements to other sections and cause for valid grievances, then it is only right that they are raised anyway.

We have referred to pension clawback and let us just clarify the terminology issue. You say Clawback is a term we use. In fact, it is a term that has been used by many groups, media, MPs and companies for many decades. Whereas, the term State Deduction is, you claim, a common term. That is not the case, with State Deduction being a term invented by Midland Bank and only some years after the clawback deduction was introduced. We strongly suspect it was deliberately introduced at the same time as the bank chose to Contract-Out their staff from the new SERPS State Pension top up; thus, causing confusion to staff who thought State Deduction referred to being Contracted-Out.

You refer to a market review of State Deduction having been undertaken, showing it remains a feature of the majority of DBS schemes. In fact this was a desk top review by your previous administrator of schemes only administered by them. There is no data for all DBS pensions. In addition, the claim that some high-profit companies, mainly in the finance sector, choose to retain Clawback, is not a justification for retaining such a discriminatory formula that you say affects around 52,000 staff and pensioners.

You continue to say that Clawback was designed to ensure staff received an overall 2/3rds of final salary through retirement, before and after State Deduction becomes payable. The Clawback deduction was introduced by Midland Bank in 1975. The law introducing it came into effect in 1948. For nearly 30 years plus staff expected to receive 2/3rds of final salary, plus State Pension when that was payable. The introduction of Clawback was clearly and purely a cost saving measure by Midland Bank.

You have also claimed that Clawback was clearly and consistently communicated to all staff. That was very definitely not the case. Whilst a scheme booklet was produced and can be shown by you, this was not given to all staff. Some received it but that very much depended on local management and procedures. Many are still only finding out the detail of Clawback now. This has meant that many have not been able to make any financial plans for the deduction.

HSBC acquired Midland Bank in 1992 and shortly after closed the DBS to new members, introducing a DCS for new staff and those being moved to new employment contracts. Then for many years, members of the DBS were given lower salaries and smaller pay rises than members of the DCS, with the justification that they had a gold-plated 2/3rd final salary pension. Now they find that they do not actually have that.

You say Clawback is not an accurate description of State Deduction. However, it is. The bank pay a pension until the pensioner reaches State Pension Age and then the bank deducts the clawback amount from the gross pension. Thus, clawing that element back.

The concept of Clawback and in particular the formula used by HSBC is highly discriminatory against the lowest paid, which happens to mainly be women due to the employment practices of the 1970s, 1980s and even 1990s. You say that introducing a cap on Clawback would benefit certain members more than others. That is very much what we intend, in order to protect the lowest paid, who are presently penalised by you more than the highest paid. Some staff are losing over 30% of their pension. Many of the women were on part time contracts and whilst the service period is adjusted for this when calculating Clawback, they nonetheless have much smaller pensions than full time senior staff but often lose much more than 25% in Clawback.

Clawback substantially reduces the amount the pension scheme pays out to the post 1974 Midland Section scheme members, filling the coffers of a fund that, at the last valuation was in excess, after liabilities, of more than £3 billion. The cost of removing Clawback could be funded by the scheme surplus and, even if the bank had to specifically cover the estimated cost now, it is an amount that need not detract from either director bonuses, nor shareholder return.

We look forward to an honest response from the CEO. In the meantime, we urge shareholders to vote For Resolution 16.

Midland Clawback Campaign committee