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Thursday, January 23, 2025

Dear Mr Stuart,

I am writing to you on behalf of the Midland Clawback Campaign and its chair Nancy Ball, who is a constituent of Stratford-on-Avon.

As you know, the campaign seeks to remedy HSBC's use of the outdated and unequal practice of Clawback. This has been used continually by HSBC since 1974.

Integrated pensions may be permitted by law, but HSBC's Clawback practice is an unacceptable practice for its former employees.

HSBC's pension policy has left its employees feeling misled and distressed. 51,000 individuals believed that their hard work would be rewarded by a defined benefit of 2/3rds of their final salary in addition to their State Pension. Instead, the pension they received was an integrated pension, a term (or concept) that had never been shared with, or explained to, these employees.

When HSBC employees did retire and receive their pensions, the term "State Deduction" was used to describe the Clawback of money from their pensions. This was misleading, as Clawback was not demanded by the state, nor was the money going to the state. Instead, the money was returned to HSBC.

This lack of transparency has caused much upset amongst former employees of HSBC. This upset has been made worse by the fact that HSBC's Clawback has had a disproportionate effect on your most vulnerable former employees. The calculation used to calculate Clawback is based on the value of an employee's state pension 12 months prior to leaving or retiring from the pension scheme, rather than on the salary earned. Unfortunately, this means that the longer an employee worked for you, the more they will lose. It also means that your lowest earners have had the most taken from them, in proportion to their overall salary. This is especially distressing for former employees when they learn that their pension is being 'clawed-back' into a pension fund that currently stands in excess of £3.65 Billion (after liabilities, according to the most recent valuation), as they struggle to heat their homes and put food on the table.

To demonstrate: If £2500 was deducted from a company pension of £100K, only 2.5% has been removed, but the same amount would be a 25% decrease in the £10K pension of a retired cashier. Though they spent the same amount of time in service to HSBC, one will live off £97.5K a year, and the other will barely scrape by on £7500. This calculation is for only a 25% deduction - 34% has been deducted from the pensions of some of HSBC's former employees.

You also use the State Pension figure 12 months before an employee leaves or retires from HSBC to calculate the amount to Clawback from a former employee's pension - a far higher amount than the State Pension when the law was created in 1948, or when the Midland Bank implemented the law in 1974.

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More often than not, those who are affected worst by HSBC's pension policy are women. This is due to historic employment practices. When Clawback was introduced in 1974, women were only employed in low-earning positions at HSBC. In addition, Clawback was only applied to work contracts that began after 1974, rather than being retroactively applied to pre-existing employees. This too disproportionately affected women: At this time HSBC (known then as Midland Bank) offered women a small gratuity on marriage, and to do this they transferred them onto a new contract of employment in which Clawback would operate. Many women had to take career breaks to have children, as adequate childcare facilities to support working mothers did not exist, and when they then took up (or returned to) a job at HSBC, the bank signed them onto new contracts with Clawback. In both cases, how this would affect their pension rights was not clearly explained to the women affected. The UK has thankfully become a more equal society in which to work, but HSBC's pension policy is a continued legacy of this past gendered inequality.

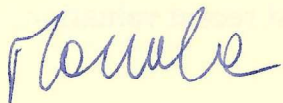
The assertions of inequality made by the Midland Clawback Campaign have the backing of researchers. Legal academics at the University of Exeter have recommended that HSBC and policy makers review the adverse impact of Clawback and make appropriate changes to the Equality Law.

The HSBC UK 2023 annual report states that HSBC remains "focused on supporting our employees during the cost-of-living crisis" and that you "are supporting our people during this period of slow economic growth with a range of financial well-being activities." I hope that the 51,000 former employees of HSBC, largely women, who are asking for your support and attention to this matter, are still considered 'your people' and that you will lend your assistance to them accordingly.

Unfortunately, the recent explanation that you have provided about integrated pensions are not relevant - the damage caused by this pension policy has already been done. It is not adequate that no action resulted from the meeting of two Non-Executive Directors of HSBC UK, the Chair of Horizons and the Chair of the Midland Clawback Campaign. I would appreciate a detailed response outlining your plans and the concrete steps you are taking to provide your 51,000 former employees with compensation, and how you will ensure that your current employees are not misled in the same way.

I look forward to hearing from you.

Yours Sincerely,



Dr Manuela Perteghella MP
Member of Parliament for Stratford-on-Avon