The Black Horse Rears: Lloyds to Return to the Private Sector

The Government has announced that the remaining government-owned shares in Lloyds Banking Group, our business correspondent reports

By Nathalie Taylor
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Lloyds Bank, Coventry. Image: Elliott Brown

The Government has announced that the remaining government-owned shares in Lloyds Banking Group, acquired during the financial crisis, are to be sold off. The Chancellor George Osborne announced the Treasury's plan during the recent Conservative Party Conference, and the policy is to start in spring. The bailout of Lloyds Banking Group was one of the notable features of the financial crash of 2008. Having to be bailed out by the Government to ensure its survival at a cost of £20 billion. This final wave of share sales is expected to conclude by the end of the next financial year.

However, Osborne has now opted to sell to the public over financial institutions. This approach is likely due to the controversy sounding the privatisation of Royal Mail, in which several investment banks did not hold the shares as promised but made a significant profit when the share price rose dramatically. In addition, the Department of Business at the time faced accusation of that it did not provide a sufficient allocation of shares for small scale investors, unlike the large privatisations of the 1980s. To avoid this situation rising again, the Chancellor has set out a series of incentives for those members of the public whom purchase shares. These include a 5% discount on the share sale price to smaller investors and

bonus shares for long-term investors. In addition to this, those that wish to obtain shares of less than £1000 in value will receive priority over larger investors. The intent that the public be involved in a matter so closely bound up with public money could scarcely be more telegraphed than it has been.

With this sale marking the biggest privatisation for twenty years, there is obviously concern surrounding its profitability and participation figure. As such, experts are split upon whether the change in sales tactic is a sound decision. However, the market reacted well to the news, as Lloyds shares were the most actively traded, and prices rose on the day that the sale was announced. Over 250,000 people have registered an interest in purchasing Lloyds shares, in what has been described as an attractive deal by several financial analysts. Issues have however been raised with the principle of offering discounted shares- as well as with the potential financial consequences.

A recent *Save the Students* review ranked Lloyds as only the 8th best student account provider, despite offering its customers a free NUS card. However, Lloyds is still a popular choice amongst students. Comfortingly for student account-holders, very little is likely to change in the coming months. The general consensus is that current rates and deals are unlikely to be affected. A quick evaluation of the offers made by other banks in this decidedly competitive sector wouldn't go amiss though, no matter the context.

One comment

Anthony Hollis 23 Oct '15 at 8:55 am

Lloyds wasn't bailed out by the Government Nathalie. It was the other way round. Had Lloyds not taken over the dead duck HBOS the company would have ended up 100 percent with Gordon Brown. They waived all pretence at adherence to our monopoly rules (despite the regulator wanting the bid referred), and with the connivance of the EU competition people the bid went ahead. With a proviso that Llloyds and HBOS shareholders subscribe to a rights issue at £1.73 in Jan 09. When the share price tanked the shareholders said no and the government had to buy the shares as underwriters. That they will get all,our money back is thanks to Lloyds magnificent new management.

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