

LLOYDS
BANKING
GROUP



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Inquiry Manager, Audit Market Investigation
Competition Commission
Victoria House
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By email: auditors@cc.gsi.gov.uk

18 March 2013

Dear Sirs,

**Statutory audit services market investigation
Remedy 2: Mandatory rotation of audit firm**

Lloyds Banking Group welcomes the opportunity to comment on the proposals contained with the Competition Commission's Statutory Audit Services Market Investigation *Notice of possible remedies*. Our response is in respect of the second remedy on the mandatory rotation of audit firms.

As you will be aware, in the UK, the Financial Reporting Council (FRC) has introduced a new Corporate Governance provision (effective 1 October 2012) requiring FTSE 350 companies to put the external audit contract out to tender at least every ten years. We believe that this requirement, within a comply or explain framework, is a more appropriate solution to the issues that have been raised on the audit services market; if an audit firm can demonstrate through a tender process that it is still the best audit service provider for a company, it seems counter-productive to prohibit the company from engaging that firm of auditors. If a company believes that it is able to obtain a better quality audit from another firm of auditors, it is, of course, already able to change auditors at its own discretion.

In conclusion, we are not supportive of a requirement to change audit firms mandatorily and believe that the FRC's new Corporate Governance regime should be given time to establish itself.

Yours sincerely

PP. George Culmer
Group Finance Director
Lloyds Banking Group plc