

Tesco Personal Finance PLC

Explanatory statement setting out the terms of the proposed scheme for the transfer of credit card, personal loan and savings account products of Tesco Personal Finance PLC to Barclays Bank UK PLC

1. Overview

- 1.1 Tesco Personal Finance PLC (**TPF**) proposes to transfer its banking business, as described in paragraph 4, to Barclays Bank UK PLC (**Barclays**) (the **Transfer**) by means of a banking business transfer scheme (the **Scheme**) under Part VII of the Financial Services and Markets Act 2000 (**FSMA**).
- 1.2 Following the Transfer, Barclays will continue to use the Tesco Bank brand on all existing Tesco Bank banking products through a long-term, strategic partnership with Tesco. The Transaction will allow the customers of Tesco to continue to be provided with financial services under the Tesco Bank brand.
- 1.3 The terms of the Transfer are set out in full in the banking business transfer scheme document (the **Scheme Document**) which has been submitted to the High Court of England and Wales (the **Court**) for approval under Part VII of FSMA.
- 1.4 This Explanatory Statement sets out the terms of the Scheme. The information in this document is only a summary of the Scheme. It should not be relied on in place of reading the Scheme Document itself. Further information about the Scheme and other key documents relating to the Scheme can be obtained from tescobank.com/transfer-scheme or from the email address and telephone number set out at the end of this Explanatory Statement.

2. Process

- 2.1 To become effective, the Scheme requires the sanction of the Court. It is anticipated that the final Court hearing to sanction the Scheme (the **Final Hearing**) will be held on **17 October 2024**. If the date of the Final Hearing changes, notice will be given on tescobank.com/transfer-scheme. The Court process has been initiated by an application to the Court dated **15 July 2024** (the **Application**). At the Final Hearing the Court will consider and, if thought fit, sanction the Scheme.
- 2.2 Both TPF and Barclays are authorised and regulated by the Bank of England's Prudential Regulation Authority (the **PRA**) and regulated by the Financial Conduct Authority (the **FCA**). The PRA and the FCA are entitled to appear at the Final Hearing and both TPF and Barclays have been liaising closely with the PRA and FCA as part of the Scheme process.
- 2.3 Other procedural requirements which must be met between the date of the Application and the Final Hearing are as follows:
 - (a) certain notices must be published stating that the Application has been made. These notices have been approved by the PRA and will be published in the London, Edinburgh and Belfast Gazettes, and in The Daily Mail and The Times;
 - (b) the PRA and FCA must be provided with copies of the Application and this Explanatory Statement;
 - (c) Barclays must obtain from the PRA a certificate of adequate financial resources and must have the requisite regulatory authorisations to carry on the transferred business; and
 - (d) a copy of this Explanatory Statement will be made available free of charge to any person who requests it.
- 2.4 Any person (including any customer or employee of either TPF or Barclays) who claims that they will be adversely affected by the carrying out of the Scheme is entitled to be heard by the Court or make representations in writing to it by writing to **The Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL**, as are the PRA and the FCA.

- 2.5 Any person who wishes to attend the Final Hearing or wishes to instruct a representative to attend the Final Hearing and make representations on their behalf, or who wishes to make a written representation to the Court, is asked (but is not obliged) to give notice of their intentions and their objections to us as soon as possible and preferably before **11 October 2024**, using the contact details set out at the end of this Explanatory Statement.
- 2.6 This will enable TPF and Barclays to address any concerns raised in advance of the hearing. In addition, TPF and Barclays will provide the PRA and the FCA with copies of any such representations received regardless of whether the person making such representations has indicated they intend to attend the Final Hearing or not. TPF will also share any such representations with the Court.
- 2.7 A failure to give notice to us in advance does not prevent any person who wishes to do so from making written representations to the Court by writing to the address of the Court shown above, attending the Final Hearing or instructing a representative to attend the Final Hearing and make representations on their behalf. Any representative so instructed does not need legal training and could be a friend or relative. Any legal representative appointed will be at your own cost. Please note that if objections are to be made by a representative, they will need the permission of the Court to speak or have appropriate rights of audience to appear at Court.

3. Effective Date of the Scheme

- 3.1 If the proposed Transfer is approved by the Court, it is intended that the Scheme will become effective at 00:00:01 on **1 November 2024** or such other date as agreed between TPF, Barclays, the PRA and FCA and approved by the Court (the **Effective Date**).
- 3.2 In general, the Scheme provides a mechanism to transfer the Transferring Business (as set out in paragraph 4.1 below) either (i) on the Effective Date (for assets and liabilities that are able to transfer and vest in Barclays on that date); or (ii) on subsequent dates (for any residual transferring assets and liabilities), (in each case, the **Relevant Date**), without any further steps being required.

4. The Transferring Business

- 4.1 TPF is an authorised bank which provides a range of retail banking products and services to customers. The business proposed to be transferred to Barclays under the Scheme is TPF's banking business which operates under the Tesco Bank brand, consisting of credit card, personal loan, and savings accounts products (along with balances relating to certain legacy personal current and savings accounts). If the proposed Transfer is approved by the Court, the assets and liabilities of the TPF banking business will transfer to Barclays on the Effective Date unless expressly excluded (the **Transferring Business**).
- 4.2 The Transferring Business will include, in particular:
- (a) all savings deposits accepted by TPF in respect of the Transferring Business;
 - (b) all credit card accounts which have been provided by TPF in respect of the Transferring Business;
 - (c) all personal loan facilities granted by TPF in respect of the Transferring Business;
 - (d) all Clubcard Pay+ products provided by TPF in respect of the Transferring Business; and
 - (e) the Business Contracts and the Customer Agreements (each as defined in the Scheme Document).

5. Effects of the Transfer

- 5.1 If the proposed Transfer is approved by the Court, the provisions outlined in paragraphs 5.2 to 8 below will apply.
- 5.2 **Contracts:** Any rights and obligations of contracting parties against and to TPF in respect of the Transferring Business prior to the Effective Date will, without further action, become rights and obligations against and to Barclays immediately thereafter. The Scheme will not vary or amend existing contractual rights and obligations, except by substituting Barclays for TPF in the contracts transferred under the Scheme or by substituting references to their respective groups or other details where appropriate.

Other than as set out in the Scheme (and as described below), the Transfer under the Scheme will not invalidate or discharge any contract (whether with a customer or with a third party), allow any party to a contract to terminate the contract, entitle any party to any contract to vary the terms of the contract (unless it would have been able to do so other than as a result of the Scheme), or confer any greater rights or benefits or impose any greater or lesser obligations on any party to a contract.

- 5.3 **Offers:** From the Relevant Date, any application made by a person to TPF, whether or not accepted, and any offer or invitation made by TPF to a person, in each case made prior to the Relevant Date, shall have effect as an application made to, or offer or invitation to treat made by, Barclays.
- 5.4 **Transferring customer rights and obligations:** Except as provided in the Scheme Document, any agreement or account between TPF and a customer in respect of the Transferring Business shall become an agreement or account between Barclays and that customer from the Relevant Date and will be subject to the same terms and conditions. Transferring customers will be entitled to the same rights against Barclays as were available to them against TPF in relation to any such agreement or account.
- Except as provided in the Scheme Document, from the Relevant Date, any loan facilities made available to any customer by TPF in respect of the Transferring Business shall become loan facilities made between Barclays and that customer. Barclays will have all rights, powers, remedies and priority in relation to any other lenders in respect of transferring customers with loan facilities or credit card agreements as TPF. Every transferring customer shall be liable to Barclays for any liabilities owed to TPF immediately prior to the Relevant Date under or relating to any such loan facilities or other customer agreements.
- 5.5 **Supplier contractual arrangements:** Notwithstanding any other provision of the Scheme Document, where a contract between TPF and a third party or Barclays and a third party contains a provision which has the effect of requiring TPF or Barclays to obtain goods and/or services for the Transferring Business or Barclays business on an exclusive basis from the counterparty, on and with effect from the Relevant Date, the relevant provision shall be read and construed as if it referred only to obtaining goods and/or services for the Transferring Business or Barclays business, as applicable, and shall not apply to obtaining goods and/or services for any other part of the Barclays group.
- Where a supplier has a contract with TPF for the provision of services and provides the same services to Barclays under a separate contract, the pricing provisions in the contract with TPF will continue to apply to the services supplied in respect of the Transferring Business, and the pricing provisions in the contract with Barclays will continue to apply to those services supplied in respect of the Barclays business. This means that as a result of the Transfer, any volume discounts or similar pricing provisions will not be triggered.
- 5.6 **Third party consents:** To facilitate the proposed transfer of the Transferring Business, TPF, Tesco Stores Limited and Barclays are entering into an agreement under which Barclays and the Tesco group will provide certain transitional services to each other for a limited period. The Scheme will disapply any restrictions or consent requirements in third party contracts with the Tesco group or Barclays which would impact the Tesco group's or Barclays' ability to fulfil their respective obligations under such agreement to ensure services can be provided to customers on a seamless basis for a transitional period of up to 30 months.
- 5.7 **Instructions and authorities:** Any existing direct debit instruction, standing order, direction, mandate, power of attorney, authority, undertaking, consent notice or declaration given to or by TPF in respect of the Transferring Business (whether in writing or not and whether or not in relation to an account) shall have effect, on and from the Relevant Date, as if given to or, as the case may be, by Barclays.
- 5.8 **Restrictions on contractual rights:** Although rights under agreements that customers have with TPF will not change, the scope for exercising certain of those rights may be widened as a result of the Scheme, unless the Scheme provides otherwise. The Scheme will therefore impose certain restrictions on Barclays in relation to exercising set off, all monies, consolidation or cross-default rights or rights under entire agreement clauses which may arise as a result of the Scheme.
- (a) **Set off rights:** These rights allow a bank, in certain circumstances, to use money deposited with it against a debt the same customer has with it that becomes repayable. For a period of 12 months following the Relevant Date, Barclays will not be able to exercise set off rights in a customer's agreement with TPF to pay any debts or liabilities owed by that customer to Barclays, or use any set off rights in a customer's agreement with Barclays to pay any debts or liabilities owed by that customer to TPF and transferred to Barclays as a consequence of the Scheme.
- (b) **All monies rights:** These rights allow a lender to use security that has been given in relation to one debt owed to it to pay off another debt or other obligation owed to it. From the Relevant Date, Barclays will not be able to apply all monies rights in a customer's existing agreement with Barclays to debts transferred from TPF.
- (c) **Consolidation rights:** These rights allow a lender to retain a security that has been given to it against a debt until another debt or obligation owed to that lender is paid off. From the Relevant Date, Barclays will not be able to apply consolidation rights to prevent the release of a security in a customer's existing agreement with Barclays to debts transferred from TPF.

- (d) **Cross-default clauses:** This clause is one which means that a customer will automatically be in breach of one agreement with a bank if it is in breach of certain other agreements with the same bank. From the Relevant Date, a breach of an existing agreement with TPF will not give rise to a breach of an existing agreement with Barclays, and vice versa.
- (e) **Entire agreement clauses:** Some terms and conditions state that they apply to all agreements of a certain type that a person holds with either TPF or Barclays. From the Relevant Date, agreements with TPF will continue to be governed by the existing TPF terms and conditions, and agreements with Barclays will continue to be governed by the existing Barclays terms and conditions, unless expressly stated otherwise. Any entire agreement clauses in new agreements entered into with Barclays after the Effective Date shall apply only to Barclays' products and services, unless stated otherwise.
- 5.9 **Guarantees and indemnities:** On and with effect from the Relevant Date, Barclays shall not be entitled to exercise any rights arising under a guarantee, indemnity, undertaking or commitment given to Barclays to secure the obligations of a transferring customer under an agreement it has with TPF.
- 5.10 **Other rights:** On and with effect from the Relevant Date, Barclays shall not be entitled to apply any other right, benefit or power which might otherwise be exercisable by Barclays as a result of the Scheme to:
- (i) reduce, alter, discharge or otherwise secure any liability a customer owes under or relating to; or (ii) restrict the way which a customer can deal with deposit or credit balances under or relating to, any existing agreement it has with Barclays or a transferring agreement it has with TPF.
- 5.11 **Savings to rights:** The Scheme will not reduce any right, benefit or power which Barclays or a customer may acquire, or have acquired, other than as a result of the Scheme, including as a result of the variation on or after the Relevant Date of any agreement such customer has with Barclays or a transferring agreement it has with TPF.

Barclays will not, without customer consent, vary the terms of any transferring agreement a customer has with TPF or any existing agreement a transferring customer has with Barclays in a way which is inconsistent with the protections for overlapping customers summarised at paragraphs 5.8, 5.9 and 5.10 above. Barclays will also not vary any new agreement with a transferring customer, without such customer's consent, in a way which is inconsistent with the protections for overlapping customers summarised at paragraph 5.8(e) above in respect of entire agreement provisions. This restriction shall not prevent Barclays and a transferring customer from agreeing such a term in any new agreement between Barclays and the transferring customer at the time it is entered into.

6. Financial Services Compensation Scheme Cover

- 6.1 Customers of TPF are covered by the UK Financial Services Compensation Scheme (the **FSCS**). The FSCS compensates customers with eligible deposits if their UK authorised financial provider stops trading or becomes insolvent. The FSCS protects these customers up to a current limit of £85,000 in total across all the accounts a customer holds within an authorised firm (this includes a regulated bank, building society or credit union). There are two important points to remember about the deposit compensation limit:
- (a) The limit applies to individuals, not accounts. This means that where a customer with eligible deposits holds joint accounts, such customer will be allocated an equal share of any joint account balance which will count towards that customer's individual combined balance. A customer's individual £85,000 protection relates to their individual combined balance.
- (b) The limit applies per authorised firm. Where a regulated bank or building society operates under more than one brand, customers with eligible deposits are entitled to up to £85,000 compensation in total, regardless of the balances a customer holds across the different brands the authorised firm operates.
- 6.2 Today, customers who have eligible deposits with both TPF and Barclays are covered up to £85,000 with each bank by the FSCS. If the Scheme is approved, any combined balances held with TPF and Barclays will be covered by the FSCS up to a limit of £85,000 across all the accounts a customer holds. If at the time of the transfer a customer's combined balance is above the FSCS protection limit, such customer will be able to make a withdrawal or transfer to another authorised firm up to the appropriate amount from their TPF and Barclays accounts, or a combination of both, subject to any restrictions in the Individual Savings Account Regulations 1998 and in line with the below:
- (a) if at the time of the transfer a customer holds more than £85,000 in accounts in their name with Barclays, then such customer can withdraw or transfer to another authorised firm a sum up to or equivalent to the amount of their total balance held with TPF at the time of the transfer, from their TPF or Barclays accounts, or a combination of both; or

- (b) if at the time of the transfer a customer holds accounts with Barclays with a total balance of £85,000 or less, such customer can withdraw or transfer to another authorised firm a sum up to the amount by which their combined Barclays and TPF balance exceeds £85,000, as at the time of the transfer, from their TPF or Barclays accounts, or a combination of both; or
 - (c) if at the time of the transfer a customer does not hold any accounts with Barclays but has balances of more than £85,000 with TPF, such customer can withdraw or transfer to another authorised firm a sum up to the amount by which their balance exceeds £85,000, as at the time of the transfer.
- 6.3 If a customer has an instant access account, such customer can make withdrawals or transfers from their account at any time and will not be charged. If a customer has a product which incurs loss of accrued interest, early withdrawal or account closure fees (for example, a fixed rate or term savings account), subject to any restrictions in the Individual Savings Account Regulations 1998, such customer will be entitled to make a withdrawal, transfer or close the account, in each case free from penalty, fee, notice or charge (including loss of accrued interest) which may otherwise apply, for a period of three months following the Relevant Date.
- 6.4 If a customer makes a withdrawal or transfer in accordance with 6.2 above from a product where the market rate for comparable products is lower than the rate for that product, that customer may be entitled to receive compensation from Barclays if they have been disadvantaged as a result of such withdrawal or transfer. The amount of any compensation due would be calculated in accordance with the methodology Barclays undertakes to the FCA from time to time to apply in such circumstances.

This paragraph 6.4 applies to:

- (a) the following products provided by TPF: Internet Saver (in relation to the bonus rate provided in the first 12 months only), Instant Access Cash ISA (in relation to the bonus rate provided in the first 12 months only), Fixed Rate Saver and Fixed Rate Cash ISA; and
- (b) the following products provided by Barclays: Barclays Savings Bonds, Barclays Flexible Bonds and Barclays Flexible ISA.

7. Data Protection

- 7.1 As part of the proposed Transfer, personal data processed by TPF that relates to customers of the Transferring Business will be transferred to Barclays who will become the data controller in respect of that data. Barclays will be under the same duty as TPF to respect the confidentiality and privacy of such transferring personal data. Notwithstanding the above, Tesco will remain the data controller of any customer personal data that relates to the Clubcard scheme, such as Clubcard account numbers.

8. Marketing preferences

- 8.1 Where, prior to the Effective Date, a transferring customer has provided marketing preferences to TPF, these marketing preferences shall continue to apply: (i) as between TPF and the transferring customer in respect of products which do not form part of the Transferring Business; and (ii) to marketing undertaken by Barclays in respect of the Transferring Business, such that, where a transferring customer has previously given permission to TPF to market Tesco Bank products to the transferring customer, such permission will permit Barclays to market to transferring customers in relation to Tesco Bank products only (and not other Barclays products).

9. Subject access requests

- 9.1 Where a transferring customer has made a subject access request (under relevant data protection laws) to TPF before the Transfer which has not been actioned before the Transfer, Barclays will respond to the request, in accordance with data protection laws, by providing copies of customer data held by TPF immediately before the Relevant Date and which has transferred to Barclays as a result of the Scheme.

10. Continuity of Proceedings

- 10.1 Any litigation, proceedings, claims or complaints (including any complaint or claim to any ombudsman) which have been issued, served, are pending, current, threatened or which may be brought in the future, in relation to the Transferring Business, whether known or not to TPF or Barclays, will be continued by or made by or against Barclays. Barclays will also be entitled to all defences, claims, counterclaims and rights

of set-off that would have been available to TPF in any such proceedings. Any counterparty, including any transferring customer, will be entitled to all defences, claims, counterclaims and rights of set-off against Barclays that would have been available to them against TPF in relation to any such proceedings.

11. Amendments to the Scheme

- 11.1 At any time after the sanction of the Scheme, TPF and Barclays can apply to the Court for any subsequent amendment, variation, modification or addition to the Scheme and both the PRA and FCA must be notified of, and have the right to be heard at, any hearing of the Court at which such application is considered.
- 11.2 At any time after the sanction of the Scheme, in the case of minor amendments or manifest errors, the amendment may be made without the consent of the Court provided that the FCA and the PRA have been notified of the proposed amendment and no objection is received by TPF or Barclays from the PRA or the FCA within 30 days of such notification.

12. Costs

- 12.1 TPF and Barclays will be responsible for all costs of implementing the Scheme and customers will not bear any such costs.

13. Governing Law

- 13.1 The Scheme is governed by English law.

14. Further Information

This Explanatory Statement and the Scheme Document contain important information. A copy of the Scheme Document together with copies of other relevant documents are available from the following website tescobank.com/transfer-scheme and will also be made available free of charge from the address set out below. Alternatively, you may request free copies of any of the relevant documents or ask further questions by contacting us by phone, post or email at the addresses or telephone numbers shown below:

By phone

0800 40 60 50* (if calling from within the UK) or **+44 800 40 60 50*** (if calling from overseas). Lines will be open from 9:00 to 18:00 (UK time), Monday to Friday.

Calls may be monitored or recorded. Calls to 0800 numbers from UK landlines are free. The costs from mobile phones may vary. If you are calling from abroad, please check with your service provider for the cost of calling this number from overseas.

By post


Broadway One, 199 Renfield Street, Glasgow, G2 3AX

By email

transferscheme@tescobank.com

If you are in any doubt as to the meaning or import of the contents of this Explanatory Statement or the Scheme Document, or if you require further advice, you are recommended to seek advice from your own solicitor or other professional adviser immediately.

You may request a copy of this Explanatory Statement in Braille, large print or audio by contacting us using the contact information provided above.

 Documents are available in large print, audio, or braille. To use Relay UK, just add 18001 before any of our phone numbers. Find out more and get the help you need at tescobank.com/support. You can also request documents by calling us on **0800 40 60 50*** or sending us an email to **transferscheme@tescobank.com**

*Calls may be recorded. Calls to 0800 numbers from UK landlines are free. The costs from mobile phones may vary. If you're calling from outside the UK, please check with your service provider for the cost of calling this number from overseas.