

Did Lloyds use tax avoidance to boost profits?

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[Lloyds accused of avoiding tax to artificially boost profits |](#)  [Business |](#)  [guardian.co.uk](#)

The Guardian reports:

A former employee of Lloyds Banking Group has accused the bank of artificially inflating its profits by almost £1bn through the use of aggressive tax-avoidance schemes and exotic "Lehman- style" offshore deals which he said amounted to false accounting.

The former senior tax manager at the bank told an employment tribunal Lloyds was involved in running battles with Revenue & Customs after it embarked on a hostile relationship with the tax authority over multimillion-pound corporation tax bills while involved in extensive manipulation of the way it accounted for unpaid taxes.

Between 2005 and 2007, he said, the bank insisted that finance staff devise ever more elaborate ways to depress a growing tax bill, many of them involving the now collapsed Lehman Brothers and the discredited financial products division of AIG, the American insurer that cost the US government \$80bn to rescue. By 2007, the bank was excluding more than £900m of potential tax in its accounts, allowing it to inflate profits by the same amount.

They continue:

The bank's former head of tax compliance, Andrew Constantine, told the employment tribunal that Lloyds refused to listen to staff who voiced concerns about the tactics adopted by the finance department, or institute reforms that would put its finances on a legal footing.

For three years he made representations to board members that the tax planning adopted by the bank was unethical and amounted to false accounting. He also warned that a breakdown in the relationship with HMRC would damage the bank and lead to even higher tax bills.

As for Lloyds it said:

Lloyds said it did not dispute that Constantine told senior executives of his deep misgivings. It said: "Mr Constantine's allegations about the Group's tax planning were fully investigated and found to be without merit. The Group maintains an open and transparent dialogue with HM Revenue & Customs. We have made adequate provisions for all our tax liabilities.

"Like any organisation, we will seek to reduce tax impact where it is practical and appropriate but we always comply with all aspects of tax regulations in all the jurisdictions within which we operate."

I know Andrew Constantine. I have, I admit, discussed this situation with him.

I think he's a good, honest and ethical tax accountant - not words I readily strong together too often.

And as the Guardian notes - Lloyds' tax history is not great.

I have no doubt who I am backing to win.

But the law can be an ass.