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# Hughes Hubbard & Reed

## Second Circuit Upholds Dismissal of Suit Against Lloyds

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Hughes Hubbard & Reed secured a significant victory for client Lloyds Banking Group, the largest retail bank in the United Kingdom, when the Second Circuit unanimously affirmed the district court's dismissal of all claims in a securities fraud class action against the bank and two of its former executives.

On Sept. 19, 2013, a three-judge panel held that the plaintiff, a putative class of holders of the bank's American depositary shares, had not alleged a plausible claim for fraud. The plaintiff alleged that Lloyds and its executives made false and misleading statements about Halifax Bank of Scotland (HBOS), a banking group that Lloyds announced it would acquire in September 2008 at the height of the global financial crisis.

When Lloyds completed the acquisition and its review of HBOS's financial position, it became clear that, as a result of market deterioration, HBOS had suffered larger-than-expected losses. As a result, the share price of the newly-combined group declined.

The plaintiffs alleged that Lloyds knew or should have known about HBOS's losses sooner. The plaintiffs also alleged that Lloyds fraudulently failed to disclose the extent of HBOS's reliance on emergency liquidity funding provided by the Bank of England.

In affirming the district court's dismissal of the complaint, the Second Circuit largely adopted the arguments Hughes Hubbard made on behalf of Lloyds and found that the plaintiffs failed to plead either an actionable misstatement or scienter.

"These assertions do not plead an intent to deceive with particularity," the Second Circuit held. "Because it would hardly make economic sense for defendants to consummate an acquisition detrimental to Lloyds, a strong inference of fraudulent intent cannot be drawn simply from this timing."

The Second Circuit also held that the district court did not abuse its discretion in refusing to grant the plaintiffs leave to amend this complaint.

Derek Adler, Sarah Cave, Ken Katz, Steve Edwards and Sara Stringfellow represent Lloyds and its former executives in this matter.

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**Derek J.T. Adler**



**Kenneth M. Katz**



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