



ANATOMY OF A FAILED TRANSFORMATION: THE TSB OPERATIONAL MELTDOWN

TSB Bank's 2018 platform migration is a textbook example of transformation failure that was immediate, operational, and catastrophic. Unlike the CBA case where costs ballooned quietly over years, TSB's disaster was public and instant, locking 1.9 million customers out of their accounts overnight.

The project aimed to migrate TSB's customer accounts from its former parent company (Lloyds) to a new platform (Proteo4UK). The final cost exceeded £378 million in compensation, remediation, and regulatory fines. The FCA and PRA imposed £48 million in penalties, and the CEO was forced to resign. The disaster lasted seven months before operations returned to normal.

The Fatal Flaw: Prioritising Deadline Over Operational Readiness

TSB's failure wasn't strategic it was operational. Leadership prioritised the Tool (T) and an aggressive deadline over the Process (P) of robust, real-world testing. The regulators identified three structural flaws:

- **Unproven platform:** Proteo4UK was an untested UK adaptation of the Spanish parent company's system, requiring extensive customisation that was rushed to meet deadlines.
- **Insufficient testing:** Critical load testing was skipped or compressed. The full two-data-centre configuration was never tested at operational load before the "big bang" cutover.
- **Outsourced accountability:** TSB failed to adequately assess the operational capability and risk of its critical third-party supplier (SABIS), breaching fundamental regulatory principles.

The result: catastrophic system failure on launch, corruption of 1.3 billion records, and seven months of operational chaos before returning to business as usual.

The Leader's Mandate: Governing Operational Resilience

The TSB case proves that operational resilience must be governed as a core business function, not a technical checklist. Leaders must embed **operational accountability into both the Tools and Process of transition.**



This is the non-negotiable governance required for managing operational change:

1. Enforce Resilience Testing Authority

Create an Operational Resilience Authority with power to stall or reject the go-live decision until evidence proves the system can withstand failure at scale. Testing must be conducted on the full production architecture, including all critical third-party components not a simplified test environment.

2. Treat Third-Party Suppliers as Operational Extensions

All critical outsourcing partners must be governed as extensions of your risk function. Contracts must require full access to design documentation and mandate independent verification of the supplier's testing and change management processes. Third-party attestations aren't sufficient you need direct audit and operational proof.

3. Institute Personal Accountability for Go-Live Decisions

The FCA fined the former CIO personally for misconduct, setting clear precedent. Accountability must flow directly from board-level launch decisions. Performance reviews for the transformation Executive Sponsor and CRO must be tied to successful maintenance of customer access and service continuity during and after transition.

Strategic Conclusion

TSB confirmed that while the business case for platform modernisation may be sound, the reputational and financial cost of operational failure is devastating. The bank's share price collapsed, customers fled, and regulatory trust evaporated.

If your next migration involves complex third-party integration or a "big bang" cutover, ask yourself: ***Has the CRO truly signed off on the system's stress capacity and resilience, or just the project plan?***

This is one of the many challenges Telos Program Partners solves. We embed operational and governance rigour to ensure complex system transitions are resilient, not brittle. When operational continuity is non-negotiable, we ensure your testing, supplier governance, and accountability structures can withstand real-world load before you go live.

Contact: maria@telosprogrampartners.com.au | +61 431 503 456 |
www.linkedin.com/in/mariahantes

Sources: FCA Final Notice (2022); PRA Final Notice (2022); The Guardian; TSB Public Statements.