

**Letter from Neil Roden, Group Human Resources Director, RBS, to the Chairman of the  
Committee, dated 30 March 2009**

**Response to TSC questions on lump sum**

Following the questions you posed to Lord Myners on 17 March, UKFI have asked RBS to provide you with some more information on the lump sum taken by Sir Fred Goodwin in exchange for part of his pension.

The ability to take a lump sum at the time of retirement in place of part of a pension is a very common provision in UK pension schemes, and in particular is part of the rules of the main RBS pension fund. This right applied to Sir Fred's pension from his funded un-registered pension scheme (his FURBS) as well as from the main RBS pension fund. A lump sum payable from a tax-registered pension fund is tax-free (within certain limits) but this does not apply to one from a FURBS. RBS agreed in 2007 that if Sir Fred exchanged part of his pension from the FURBS for a lump sum then (for a lump sum up to a certain amount) the FURBS would meet the tax due on this lump sum.

Sir Fred chose to exchange £186,979 a year of his pension for a lump sum of £2,781,317 of which £94,740 was paid from the main RBS pension fund. Sir Fred subsequently indicated that he was willing in principle to repay the lump sum, provided he incurred no tax liability. However, HMRC have clearly stated that tax will be payable on this lump sum even if it is repaid, and as a result the FURBS is liable to pay the tax on the part of the lump sum that was paid from the FURBS. In the light of this, Philip Hampton has asked Sir Fred to consider if he is prepared to waive part of his entitlement and Sir Fred is considering this.

We can confirm that no further contribution is required to the FURBS as a result of Sir Fred taking this lump sum and the tax that is due to be paid on it.

If you have any further questions, then please let me know.

Neil Roden  
Group Human Resources Director  
30 March 2009