

16 May 2018

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Dear Chair,

Thank you for your letter and for the chance to once again clarify the way in which we serve customers and support them with their financial needs.

Could I be clear on a number of points before I explain these in more detail:

- There are no targets or frontline financial incentives for Royal Bank colleagues in our branches;
- Royal Bank staff are not incentivised to encourage digital adoption;
- Royal Bank staff are asked to show customers all the different ways to bank including in Post Offices, online, on the phone, through our app and other ways;
- Customer feedback shows that our award-winning mobile app is our most popular and highest scoring way to bank;
- No customer is prevented from using a branch, or any other service, if they bank digitally.

We were specifically asked about targets for our colleagues. As a bank, we have removed targets and frontline incentives for our colleagues – this was an important step in changing the culture of our bank and moving away from the mistakes of the past. Targets are very specifically defined in our organisation and we have discussed this with our regulator, making clear that there is no variable remuneration in relation to these.

We did acknowledge however during our evidence to the Committee that our colleagues have goals to serve our customers well and we did not shy away from the fact that we ask them to do a number of things in order to meet this aim. Colleagues are tasked with delivering excellent customer service and proactively supporting customers with their banking. This means talking to our customers about their financial needs, carrying out Financial Health Checks and helping customers to meet their needs in the way that suits them best. What this means is that our colleagues are not incentivised to encourage digital adoption.

The document you refer to in your letter, is a standard performance document, which all colleagues across the bank use – and which employees will be familiar with as a development tool. All colleagues are employed to do a specific job and are expected to agree objectives with their line manager at the beginning of each year, as well as ways of measuring against these goals for the year ahead. This is standard practice not just in banks but in almost every large company. As set out above, our colleagues' overarching goal is to serve customers well and to provide a service which is, "effortless everyday and brilliant when it matters" – this objective is measured in a number of ways, both digital and face-to-face. For example, as well as asking colleagues to have conversations about digital banking, the document shows that we have also asked colleagues to record the conversations they have with customers and to ensure that they keep appointments in branches too. These goals reflect the reality of the way our customers bank with us and we have not prioritised one option over another. It is also worth noting that our goals are reflective of what our colleagues are already doing, so will vary depending on the area or demographics of customers they are serving.

As I explained during my evidence, we provide a full range of ways to bank and it is for each customer to decide how they want to bank and what is right for them. We know that digital banking and our award-winning mobile app in particular, are our most popular options amongst customers. Our customers use our digital options more regularly and our customer feedback shows they receive our highest satisfaction scores. Because we know these options are popular, convenient and increasingly popular, we ask colleagues to ensure that customers know how they can use digital banking – and we also train our TechXpert colleagues to support customers with digital skills. But we are clear that as a bank, we ask colleagues to ensure customers are aware of all the other ways to bank and to talk about what is right for them.

We will always ask colleagues to talk about appropriate ways to bank and to be clear, these conversations do not force any customer online. The reality is that today, digital services continue to grow across all industries at pace – consumers are valuing the convenience and control it offers. It would therefore not be credible or in the interests of our customers if we did not talk to them about our digital services on offer and how these might complement a choice which they are already making in other parts of their lives. No customer is prevented from using a branch, or any other service, if they bank digitally.

As a business, we pride ourselves on the range of services we provide and as I explained to the Committee, we offer more than 2,000 physical touch points across Scotland for customers to access locally. We are investing in all our ways to bank, including in our branches, our contract with the Post Office for everyday banking, our mobile branches, our Community Bankers and our telephony services. We would not be doing this if we wanted to move all our customers online. Instead, we have built a diverse, broad range of banking options from which customers can *choose* the best services for them.

Yours sincerely



Ross McEwan