



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

27 July 2017

The Rt Hon Nicky Morgan MP
Chair, Treasury Select Committee
14 Tothill Street
London SW1H 9NB

Dear Nicky

Royal Bank of Scotland's State aid commitments

I am writing to let you know that HM Treasury has just announced an agreement in principle with the European Commission on the Alternative Remedies Package to resolve RBS' final State aid commitment.

Improving competition in the UK business banking sector is a longstanding priority for the Treasury. This package of measures is designed to improve the UK business banking market and enable SMEs to benefit from greater choice and offers on banking services, as well as addressing distortions to the UK's business banking market that resulted from State support for RBS during the financial crisis.

The package involves RBS providing £835 million to strengthen competition in business banking in the UK, through a £425 million fund to help challenger banks strengthen their capabilities to provide business banking and a £350 million fund to provide incentives for Williams & Glyn's small and mid-sized business customers to switch to a challenger bank. This is an ambitious and innovative intervention designed to have a profound impact on competition in business banking in the UK.

This agreement in principle is subject to final approval by the College of Commissioners. Full details of the remedies, including precise eligibility criteria, will be announced in the autumn.

The agreement brings to an end the seven year process to resolve RBS' State aid commitments and removes one of the remaining barriers to restarting the sale of the government's stake in RBS.

PHILIP HAMMOND