Rt Hon Nicky Morgan MP  
Chair of the Treasury Committee  
House of Commons  
London  
SW1A 0AA  
11 March 2019  

Dear Nicky Morgan MP,  

Thank you for your letter of 5 March 2019.  

Before turning to the specific questions you raise, I hope that you may find the following overarching points helpful.  

First, we have emphasised throughout that BCR are the ‘engine drivers’ and not the designers of this project. BCR operates within the very specific terms laid out in the documentation, in particular the framework deed (“the deed”), signed with HMT and RBS to reflect the Alternative Remedies Package that HMT agreed with the European Commission. The details set out therein include timelines within which activities such as opening and closing of bid periods, decision-making and disbursement of funds must take place. We discussed with HMT a number of elements of the design and implementation requirements both before starting work and subsequently. It was made clear to us at the outset that the deed was not to be unpicked and that BCR’s primary role is to apply the terms of HMT’s agreement with the European Commission.  

One such point discussed with HMT, which is relevant your letter, is that the deed sets out the criteria that are to be applied when assessing eligibility. These criteria are objective in nature and, in particular, require, in the case of Pool A applicants, that they are authorised by the PRA. As such, it is not for BCR to assess the fitness or propriety of an applicant or its controllers or senior managers. Instead, BCR’s role is to apply the objective eligibility criteria and to then consider the applications of those eligible applicants.  

Second, while operating within strict rules (my point above), BCR was set up to act as an independent entity, with decisions at its sole discretion. This was part of HMT’s commitments to the European Commission and an important design feature of the Alternative Remedies Package. In the course of receiving bids we become privy to commercially sensitive information and we have to be very careful in ensuring that this remains confidential. Consequently we are not at liberty to expose in public or to third parties the details of bids or the discussion of them, and I therefore ask respectfully that this is not tested.  

In any competitive bidding process, those who are not successful may seek to disturb matters and in general these types of decisions inevitably attract commentary but, while we are committed to transparency wherever possible, the details of bids and decision-making remain confidential and within BCR’s sole discretion. At the same time, we recognise the concerns raised in your letter and consequently seek to address them in detail below as well as, unusually and having given them advance notice, sharing with you BCR’s most recent correspondence with Metro.  

Third, HMT has appointed Mazars as the monitor for the project. Their role is in part to assure HMT that the processes BCR has in place are robust and effective. They have attended our board meetings and all the award decision meetings and have reviewed to their satisfaction BCR’s compliance with the deed and the Alternative Remedies Package.  

Fourth, as a way to maximise public transparency, we required that every bidder provide us with a set of commitments in the knowledge that these would be published and they would thereby be held publicly accountable for them beyond the BCR monitoring period. The commitments of those awarded can be found on our website and we will be requiring that they produce regular and comparable updates available for public scrutiny.
Turning now to your specific points in the order you have asked them (I have numbered them for ease of reference):

1. BCR were aware of the publicity around Metro on 23rd January. I set out in some detail below the steps involved.
   - **24 January:** As part of our selection process we have (per the project design) externally contracted to Baringa Partners LLP the pre-board selection and shortlisting processes. Baringa’s selection process incorporated reviews by an “expert panel” of their senior consultants, which BCR attended as observers. The panel was already scheduled for 24 January, by luck this was the day after the news of the RWA miscalculation emerged. The issue of whether or not there would be a negative impact on the Metro application was raised at the panel and the advice to BCR was that the Metro financial position could absorb the RWA miscalculation and that their application should be considered as submitted. The panel further advised that Metro offered the best value for money for the £120m, and remained a credible applicant capable of delivering on its submitted business plan.
   - **30 January:** BCR board met, discussed the bids and agreed in principle that Metro should be awarded the £120m based on their application relative to others. The board also discussed the RWA miscalculation and, while factoring this into its in principle award decision, decided to invite Metro to a meeting on February 6th to discuss a number of issues but in particular the recently reported miscalcification. At this time, the public information was that Metro itself had identified the issue.
   - **6 February:** At this meeting, attended by Metro Chief Executive Craig Donaldson, our discussion included the RWA miscalcification, Metro’s governance, whether it was Metro or the PRA who spotted the error, the PRA response, and the impact on Metro’s future growth plans. The board was given assurances by Metro that the miscalculation would not in any way impact their ability to deliver their commitments.
   - **22 February:** Bid results announced.
   - **26 February:** Metro results day (brought forward by one day) and announced capital raising.
   - **4/6 March:** In view of the evolving situation at Metro, I wrote to their Chief Executive, Craig Donaldson, on 4 March and 6 March requiring answers to a number of questions. Please see point 4 below. A copy of my correspondence is enclosed, along with a copy of Mr Donaldson’s reply of 8 March.

2. Eligibility to apply is set out in the deed that BCR is required to adhere to. Metro satisfied all of the eligibility requirements. As regards disqualification, I refer to my first general point on the ability (or lack of it) for BCR to determine who may be considered eligible.

3. Given the assurances received on 6 February, we did not at that time feel a delay was required and the deed in any event requires us to make a decision as soon as reasonably practicable after the application deadline and to announce our decision promptly following the decision having been made.

4. In view of the evolving situation, I wrote to Metro Chief Executive on 4 March and 6 March requiring a prompt explanation of a number of issues, including clarification in the impact of the miscalculation on Metro’s ability to deliver the public commitments made in their bid. As referred to above, a copy of my letter is enclosed, along with a copy of Mr Donaldson’s reply.

5. BCR is in the process of agreeing, as part of contracting arrangements, the format and content of reporting to BCR by successful applicants. We will be sharing these with the Monitor, and they will both be involved in signing off on the process and also monitoring its implementation and results.

For your information, BCR has been concerned that the period over which monitoring takes place per the project design is too short and, acting on legal advice, we have found and implemented a means by which it can be extended from 18 months from signing agreements to 15 April 2022, unless terminated earlier by the mutual agreement of BCR, HMT and RBS.
Finally, I would also again like to draw your attention to my fourth general point above concerning public accountability, which we believe is an essential and effective tool in monitoring delivery of outcomes by bidders and persists beyond the life of BCR.

6. The terms of the deed by which BCR runs are very specific here. In particular, the template form of CIF agreement, which provides for these rights, is publicly available on our website. This provides a formal process for BCR monitoring the use of funds by the successful applicants and the circumstances in which BCR can elect to claw back funds, including where the applicant wants to make a change to its business case.

I hope that this letter conveys not only the answers to your specific questions but also the wider context and approach by which BCR, as a small team operating within tight controls, is seeking to deliver the Alternative Remedies Package.

Following delays in our starting work, over which we had no control, we have to date successfully met each milestone fully and to time. This has included thorough processes and robust decision-making debates and outcomes. The issues you raise around Metro are something which, as indicated above, we are looking into as far as our remit allows.

Yours sincerely

Godfrey Cromwell
Executive Chairman