



Treasury Committee

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Ross McEwan
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Dear Ross

Thank you for appearing before the Committee on 30 January, for the further written evidence provided in your letter of 16 February, and for the addendum to that evidence submitted on 22 February.

Consequential loss

As part of the further written evidence, you provided data on the outcomes of the GRG Complaints Process. I would be grateful if you could submit updates to this information, together with data on outcomes from the consequential loss part of the scheme, on a quarterly basis to the Committee, starting on 16 May 2018.

I note from the information you have provided to the Committee that RBS has, to date, paid out £1m in direct loss claims, and that, on current trends, it will pay out under £5m in total.

You acknowledged in oral evidence that consequential loss often exceeds direct loss, and the Committee discussed with you and Sir Howard the governance of this aspect of the Complaints Scheme. Whatever the FCA's view, it is difficult to see how the Committee, former GRG customers and the wider public, can take any confidence that fair and reasonable compensation is being provided without independent oversight of this part of the scheme. I urge you to consider how decisions on consequential loss can be made subject to a third-party assurance and appeals process.

Appeals

You were asked about the inconsistency between the Complaints Process Principles (which state that RBS's offer lapses on appeal, and that the result of the appeal "may be less favourable to the Customer") and Sir Howard's evidence that the original offer would only be withdrawn "if people win". You wrote that "in practice, the bank will almost certainly ensure that a complainant is no worse off as a result of having appealed". If that is indeed the case, it should be stated explicitly in the Complaints Process Principles.

Banking Standards Board (BSB) survey on culture

I am disappointed that you have declined to publish the BSB report, or even a summary of it, on the grounds that other firms do not do so. It hardly needs stating that, as a majority taxpayer-owned institution, seeking to convince the public that its culture has “changed fundamentally” since the days of GRG, RBS has both a responsibility and a rationale to show leadership in this area.

Schedules of charges

In following up your undertaking to provide the Committee with contemporaneous “charging schedules” applicable during the period 2009-13, you have provided a retrospective summary of the different types of “non-standard fee” charged to GRG customers. I take it from this – and the statement in your letter that “there was no mandatory pricing matrix” – that no such schedules exist.

Institute for Turnaround (IFT) Principles


I note that, alongside the Statement of Principles for Best Practice in UK Business Support Banking (which RBS supports), the IFT has also published a Code of Conduct for Business Support Banking. I would be grateful to know if RBS also supports this Code of Conduct, and whether it is reflected in the policies and practices of its new Restructuring Unit (“RBS Restructuring”).

Management

The addendum to your written evidence states that 136 of 182 employees in RBS Restructuring – and 30 of 32 staff at senior manager grade and above – previously worked at GRG. So too did the head of the RBS Restructuring. I invite you to set out how the training programme and performance objectives of these staff have been developed to address the findings contained in Promontory’s report: specifically, that at all levels of GRG, there was an unprofessional culture of deal-making that disregarded RBS’s stated policy of treating customers fairly.

Fair Treatment of Customers

Finally, I would be grateful to know if the six ‘consumer outcomes’ that comprise the FCA’s Fair Treatment of Customers initiative are part of the policy of RBS Restructuring, and if so, what measures are in place to ensure that they are being implemented and embedded effectively.

Yours sincerely


The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee