How The Royal Bank of Scotland Group PLC Sacrificed its Clients for Cash to Ensure its Own Survival

Research by RGL Management
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www.rglmanagement.com

RGL Management Limited - 42 Berkeley Square - London W1J 5AW
Tel:- +44 (0)207 318 0867 - www.rglmanagement.com

Registered in England and Wales – company registration number: 10001048

Introduction

This report has been researched and compiled by RGL Management Limited.

We are releasing it into the public domain to shed more light on the motivation of RBS in how it dealt with its SME customers.

We believe the information in this document is material to the ongoing debate.

RGL Management Limited

17 January 2018

Summary of Findings

There has been considerable criticism of RBS for its conduct towards SME businesses, particularly in the 2008 to 2013 period, although there are RBS customers who claim that bad conduct was common before 2008 and that it continues to this day.

The first strong indication to the general public that RBS had done very bad things to their clients was the publication of the highly critical report issued by Lawrence Tomlinson (Entrepreneur in Residence at the Department for Business, Innovation and Skills) on the 25th November 2013. In response to the accusations made by Tomlinson RBS commissioned a report by Clifford Chance (to which the label "whitewash" has been applied by many commentators, including ourselves). Snippets of information and grand conclusions arising from the FCA's investigation have also been released, albeit with huge apparent reluctance. The FCA's perceived approach towards the release of their full report on RBS has created doubt as to whether their objective is to reveal wrongdoing by RBS or rather to protect the UK financial system by containing the evidence as to the seriousness of the misconduct.

RGL Management Limited see a simple picture that has gone largely unreported. We believe the focus of attention has been too much on symptoms rather than cause. It is clear to us that this has been very convenient for RBS and its apologists who have happily embraced a narrowing of scope to enable the reality and scale of what RBS did to its own SME clients to remain the subject of doubt, confusion and counter claims.

So, in our view the principle charge of profiteering by the infamous Global Restructuring Group (GRG) has diverted attention away from the real motive for what was done. This is particularly well illustrated in the comment made in Clifford Chance's report of 11 April 2014 https://www.rbs.com/content/dam/rbs_com/rbs/Documents/News/2014/04/Clifford-Chance-Independent-Review.pdf : *"The bank has no financial incentive to unnecessarily bring about the customer's insolvency…"*

Clifford Chance are the direct recipients of very remunerative work from RBS and questions should certainly be raised about their objectivity.

The fine details of how banking works are a mystery to most ordinary businesspeople, commentators and politicians and we are all easily misdirected and misled as a result. But given the involvement of sophisticated individuals and organisations in much of the formal investigation and report writing, there is no excuse for the existing state of confusion. Therefore, we suspect that visibility of the bigger picture may have been deliberately obscured.

The purpose of this report is to set out, explain and support the following description of what happened in the simplest possible terms.

To sum this up in a single sentence:

RBS was driven into insolvency by incompetent, greedy, short-sighted management, and because its survival was only partly subsidized by the UK taxpayer, it needed to raid the assets of targeted business customers to generate cash, indifferent to whatever destruction this wrought on its victims, saving itself at their expense.

Note that the motive was the generation of cash and not of profits. RBS was utterly desperate for cash and incurring losses on liquidating lending to customers was a price they were willing to pay.

Note additionally:

1) This was an RBS policy driven from the top – GRG was a cog within the machinery of RBS and should not be the sole focus of investigation and reporting
2) Individual businesses were identified by RBS on a mass basis as targeted for exit and GRG was a killing floor, processing SME businesses into cash for RBS
3) Identification took the form of designating individual customers as "Non- Core" and RBS duly exited from its Non- Core lending at a dramatic pace.
4) Profiteering by GRG (such as forcing equity participation in businesses and properties and levying excessive charges) and treating customers with aggression and contempt were ingrained in the GRG culture – a reflection of opportunism and a symptom of broader RBS greed rather than the full extent of the RBS wrong doing
5) There was widespread bad conduct within RBS reflecting an arrogant contempt for clients, for acceptable standards of business conduct and for the law while ruined SME businesses were left unable to afford any access to justice against such a huge foe
6) Victims are still asserting that RBS continue acting aggressively and improperly to kill dissent and sideline victims' claims – a change in management but the same old culture. "We are what we do", as RBS say in their Nat West television advertising.

Set out in our report is detailed support for these accusations which was almost entirely obtained from published information that has been widely available to Clifford Chance, the FCA and the new management of RBS.

Readers of the report will draw their own conclusions.

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