THE TIMES

RBS ‘challenged size of payouts for rate swap damages’

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Last updated at 12:01AM, December 4 2014

Royal Bank of Scotland has been accused of trying to minimise compensation for its mis-selling scandal.

Staff and subcontractors of KPMG, the accountant that oversaw a multi-billion-pound compensation scheme for victims of swap mis-selling, were “browbeaten” into accepting the taxpayer-backed lender’s attempts to reduce settlements to small businesses, according to a whistleblower.

Customers were sold interest rate instruments that were meant to protect them against a rise in rates, but thousands of companies were ruined when rates fell.

A former KPMG subcontractor, who said that he had worked on several hundred case reviews, claimed that RBS would challenge the potentially large payouts and often pushed for businesses to be given a new deal rather than their money back.

Swaps worth more than £750,000 were “almost always challenged by RBS”, according to the whistleblower, who asked not to be named.

“The bank did not want to pay out cash on these cases, nor meet high break costs if it was in any way avoidable. Considerable pressure was put on the review team by the bank to offer . . . an alternative product or, in some cases, to argue that it was a compliant sale with no redress.

“The higher the cost to the bank, the more the bank would argue with the reviewers and in some cases also with the skilled person seeking to persuade them to change their minds.”

In larger cases, KPMG personnel sometimes would be called in by RBS and told the bank’s position.Cases would go back and forwards several times until a compromise was accepted. About 60 per cent of the higher value loan decisions by the review teams were challenged, he said.

Guto Bebb, the Conservative MP who chairs a parliamentary group on swaps mis-selling, said that he was concerned by the claims. “That RBS seems to think it is okay to have regularly and systematically undermined such an important process is very worrying. I take these allegations seriously and expect them to be fully investigated,” he said.

According to an expert employed on another lender’s review, the results of the RBS compensation scheme were met with disbelief by industry experts, who believed the bank was denying customers compensation owed to them.

A survey of members of Bully Banks, a campaigner for victims of mis-selling, found that those with claims against RBS were more likely to receive an alternative derivative than customers of other lenders. The survey, based on almost 500 responses, found that for RBS customers with a swap worth between £2 million and £4.9 million, 12 per cent received full recompense, compared with 65 per cent for Barclays customers, 89 per cent for Lloyds Banking Group and 63 per cent for HSBC. By contrast, 63 per cent of RBS customers were offered another interest rate swap, while 9 per cent at Barclays and no Lloyds or HSBC customers were offered a new swap as compensation.

A spokesman for RBS said: “RBS refutes the allegations that have been made. We have worked in line with the Financial Conduct Authority principles and methodology throughout the review to ensure our customers receive fair and reasonable redress. The process is independently reviewed by KPMG who have full access to the evidence available.”

A spokeswoman for KPMG said: “We strongly refute any suggestion that our work as Independent Reviewer on behalf of the FCA has been in any way influenced by RBS . . . Staff worked in dedicated premises with secure access, limited to KPMG’s project staff only. Contact between the KPMG and the bank staff on any areas of disagreement was through formal meetings involving senior forensic and regulatory investigation specialists at KPMG.”

A spokesman for the FCA said that it had “maintained close oversight of the relationship between banks and their independent reviewers . . . and this allegation is not supported by the facts.”