



RBS Global Restructuring Group and SMEs

18 January 2018
Volume 634

[Relevant documents: Oral evidence taken before the Treasury Committee on 31 October 2017, on The work of the Financial Conduct Authority, HC 475; Written evidence received by the Treasury Committee, on The work of the Financial Conduct Authority, HC 475; Correspondence between the Chair of the Treasury Committee and (a) the Chief Executive of the Financial Conduct Authority and (b) the Chief Executive of Royal Bank of Scotland, relating to the report into the Royal Bank of Scotland Global Restructuring Group, reported to the House and published on 14 September, 17 October, 25 October, 31 October, 28 November 2017 and 17 January 2018.]

Madam Deputy Speaker (Mrs Eleanor Laing)

Before we begin today's debates, I should point out to the House, though it is obvious, that a great many people wish to speak this afternoon, and we obviously have limited time—just under five hours—for two important and heavily subscribed debates. Sometimes on Thursdays, we are a little bit lenient with time, but the recommendation from the Backbench Business Committee is that the person moving a motion should take around 15 minutes of the House's time. Over the last few weeks, that has risen to well over half an hour, but today I am going to enforce the 15-minutes—or thereabouts—limit. That means about 17 minutes, not 27. I should also warn the House that, after the motion has been moved, there will be a limit on Back-Bench speeches, initially of five minutes, but that is likely to fall to four minutes. This is good; it is because there is so much interest in the subjects that we are debating this afternoon.

12:04:00

Clive Lewis (Norwich South) (Lab)

I beg to move,

That this House is deeply concerned by the treatment of small and medium-sized enterprises (SMEs) by the Global Restructuring Group of the Royal Bank of Scotland; notes that there are wider allegations of malpractice in financial services and related industries; believes that this indicates a

systemic failure to effectively protect businesses, which has resulted in financial scandals costing tens of billions of pounds; further believes that a solution requires the collective and collaborative effort of regulators, Parliament and Government; and calls for an independent inquiry into the treatment of SMEs by financial institutions and the protections afforded to them, and the rapid establishment of a tribunal system to deal effectively with financial disputes involving SMEs.

May I echo your comments, Madam Deputy Speaker? As generous a soul as I am when it comes to interventions, I will limit the number I take to two or three, if at all possible, because I understand that Holocaust Memorial Day is also a crucial issue that everyone here would want to see debated fully afterwards. None the less, there are a lot of Members here, on both sides of the House, who want to speak about an issue that has deeply affected many of their constituents and small businesses across the country. I thank hon. Members for their support for this important debate, as well as the Backbench Business Committee for allowing the time, particularly the Chair, my hon. Friend the Member for Gateshead (Ian Mearns). He has made it clear to me and others that he was keen for the debate to take place, and here it is.

As the details of the various scandals that have hit our financial services sector trickled out over the last few years, I think we all started by treating the stories we heard with a certain scepticism. They just did not seem to make sense. Indeed, when I read letters from one of my constituents, my first reaction was to think that the story he was telling simply could not be true. “No bank could have dared to behave in such a brazenly outrageous way,” I said to myself. My constituent, Andi Gibbs, was forced by his bank, RBS, to buy an interest rate-hedging product, which should have protected his business against rising interest rates, but in fact drained it of cash. RBS then placed the business into its Global Restructuring Group. He lost his business, his home, his marriage and, I think it is fair to say, almost his sanity. His crime: nothing more than being an entrepreneur who banked with RBS.

Nick Smith (Blaenau Gwent) (Lab)

Does my hon. Friend agree that the RBS Global Restructuring Group had real cultural problems? When its top tips included the advice,

“Rope: Sometimes you just have to let customers hang themselves”,

there is clearly something very wrong occurring.

Clive Lewis

I agree with my hon. Friend. We know that 16,000 small businesses were put into GRG from 2008, and the vast majority were liquidated. That tells us all we need to know. This was meant to be somewhere from which they could try to come back as viable businesses, but far from being an intensive care unit, it was more like an abattoir, where they were stripped and taken apart.

Mr Philip Dunne (Ludlow) (Con)

Does the hon. Gentleman agree that one reason why many Members found this story almost unbelievable—a story that affects so many of our constituents—was that the conditions of any settlements agreed by the GRG with businesses that were in trouble included gagging orders, or confidentiality agreements, which have prevented them from speaking openly about the plight that they have faced?

Clive Lewis

I agree with the hon. Gentleman. Indeed, some businesses ended up in GRG simply for saying, “I’m not happy with my bank. I want to move.” When we talk about how they were “stressed”, we should also be aware that the bank used this term as it saw fit. Many businesses were treated appallingly, and the hon. Gentleman raises the point very clearly.

As time has gone on, we have discovered that Andi Gibbs is not alone. He is not even one of hundreds, but one of thousands. As many Members will be aware, the stories keep coming, backed up by evidence. It has now become clear that we have not just a series of individual scandals, but a full, systemic failure that needs to be addressed by this House. However, I want to focus briefly on what got us here and, more importantly, how we work toward a constructive solution.

Sir Vince Cable (Twickenham) (LD)

Does the hon. Gentleman share my disgust that, four and half years after I referred, as Secretary of State, many of those cases—the Tomlinson report—to the Financial Conduct Authority, we still have only an interim report? Is he aware that the BBC has seen a copy of the final report? It contains the following incriminating phrase:

“Management knew or should have known that this was an intended and co-ordinated strategy and that the mistreatment of business customers was a result of that”,

and the head of GRG responsible for that policy, Mr Nathan Bostock, is now chief executive of Santander.

Clive Lewis

That is a very valid point. I hope we will hear from the Government today that there will be action on this issue. Owners of small and medium-sized businesses, including many of my constituents and those of other Members, are tired of the foot-dragging that has gone on for long enough. The Treasury Committee supports the report’s publication, and even the Financial Conduct Authority would probably conclude that it would be far more helpful for it to be published. Its publication is long overdue. People need to see the full extent and scale of what RBS and, potentially, other banks have been up to.

Melanie Onn (Great Grimsby) (Lab)

Will my hon. Friend give way?

Clive Lewis

I will give way one final time.

Melanie Onn

My hon. Friend said earlier that this situation affected failing businesses. My constituent Andrea Willows is in the public Gallery today. Her business was not failing, but the bank absolutely refused to provide any kind of funding for a shorter-term loan payoff, attributing it all to a larger loan pay-off instead. She had to come up with the full cost of multiple loans to pay off about £635,000, which made things completely impossible for her. That is exactly what these banks have done: they have made it impossible for hard-working people to continue to run their businesses although they were not in trouble in the first place.

Clive Lewis

I agree with my hon. Friend. During my time on the all-party parliamentary group on fair business banking and as a Back-Bench MP before that, I heard many similar stories of companies that had been forcibly distressed, or had been described as being distressed by the bank and then carved up like a Sunday roast.

Mrs Madeleine Moon (Bridgend) (Lab)

Will my hon. Friend give way?

Clive Lewis

I will continue.

As many Members will know, the stories keep coming, backed up by evidence. It is now clear that we are seeing not just a series of individual scandals, but a full, systemic failure that needs to be addressed by the House.

Let me now focus on how we can move forward. The APPG on fair business banking has identified a series of achievable and transformative objectives that will support our business community. My focus today, however, will be on dispute resolution, restitution, and the need for an independent financial services tribunal with the teeth that will enable it to tackle complex and, for the individuals involved, life-changing scenarios.

I want to touch briefly on the past, because it is important to separate the crises into two distinct phases. The first crisis, in 2007-08, was a crisis of liquidity. The second, which we are discussing today, is a conduct crisis that not only spans the financial services industry, but extends to the role of the professional advisers who are such an integral part of the system. They are Law of Property Act receivers, surveyors, accountants, insolvency practitioners and solicitors. They are all fundamental parts of this matrix, and I will return to them shortly.

The recent section 166 FCA report on RBS GRG concentrates on the years between 2008 and 2013, when banks were under extreme pressure to shore up their balance sheets. However, that

behaviour did not spring up spontaneously. Senior banking insiders who worked in RBS between the mid-1990s and the crisis are clear that there was such a modus operandi in GRG for years before the liquidity crisis. Indeed, GRG and its predecessor, Specialist Lending Services, had been known as the “mortuary for businesses” since the late 1990s. During those heady days of liquidity, businesses might have had an opportunity to re-bank with competitors, but once the liquidity crisis hit, that was no longer an option. Ever since then our business community has had to deal with the consequences, which have been ramped up to an industrial scale.

Although the title of the debate refers to RBS GRG, it is just a symptom of the underlying issues. In the course of the APPG’s work, it is hard to identify an institution that has not found itself at the centre of a conduct scandal, and I am sure that other Members will give many examples today. The APPG has come across similar instances among the major banking institutions. The HBOS Reading fraud, as a result of which bankers and their associates were jailed for a total of 47 years earlier this year, may seem easy to push to aside as “a few bad apples”, but, in reality, it is a consequence of the same systemic failure.

Jeremy Quin (Horsham) (Con)

Will the hon. Gentleman give way?

Clive Lewis

I will make some progress first.

In the HBOS case, as with GRG, quite simply, everyone thought that they would not get caught, and so it escalated. We have to ask ourselves how it is possible that this has gone on for so long, completely unchecked. We should have caught it much sooner, but instead it has been left to a dedicated group of individual victims such as Paul and Nikki Turner—and to a relentless pursuit by journalists such as Andy Verity, Joe Lynam, Siobhan Kennedy, James Hurley, Jonathan Ford, Ruth Sunderland, Tom Warren, Ian Fraser and Heidi Blake, to name just a few—to keep the issue alive. That is the journalism that the British public need: journalism that investigates the acts of the powerful and holds them to account. It is the fourth estate playing its rightful role in a healthy, functioning democracy.

Even now, as we begin to get our heads around the issue, we are still not addressing it properly. Why? Because our response thus far has been piecemeal. We must take a step back, and look at the entire ecosystem in which such behaviour managed not just to survive, but to thrive.

Let me briefly remind the House of the possible scale of the scandal. At its peak, GRG held assets of more than £90 billion on its books—all the businesses that were put into special measures. We cannot know for sure how many of those businesses would have survived in another, more benign environment; that is a “how long is a piece of string” question. Indeed, some businesses were placed in GRG for no other reason than the fact that they had made a complaint against the bank. We have to ask ourselves how many of them should have been there in the first place.

Much has been made of the fact that the businesses were “distressed”, but that is a subjective and ambiguous term. We do know that 90% of GRG-administered businesses never made it back to mainstream banking. That is a very high proportion. The cost is immeasurable, but we believe it to be in the tens of billions. Let us be clear: that is the potential size of the injustice that has taken place in our country. If it is indeed that big, it may be the largest theft anywhere, ever. If we begin to take into account the opportunity costs to the economy of business failure and businesses that have been unable to grow—if we begin to include the loss of jobs, homes, health, relationships and taxes—we see that the costs are likely to be immeasurable.

Scandals on this scale cannot happen in a vacuum. The role of Law of Property Act receivers, solicitors, insolvency practitioners and surveyors must be considered. Even in circumstances in which every person playing a part has played to the letter of the law, the outcomes have been catastrophic. We have to ask ourselves how that is possible.

As things stand, a business owner understandably assumes that the whole system works effectively, and that when it fails, he or she will have access to justice. That is a logical assumption for those of us who believe that all aspects of our lives should be covered by the rule of law. Anything else is little better than the Wild West, and is no basis for the stable and successful economy that Members in all parts of the House want to see.

The House must tackle the inherent inequality of power in the relationship between businesses and their lenders. From the moment when a business signs a one-sided contract laden with onerous and ambiguous contractual terms, through its life cycle, and into—potentially—insolvency, there is nowhere independent and affordable for that business to go if it is in dispute with its lender. In all cases, businesses must rely on the limited scope of the financial ombudsman, various trade associations and individual institutions to handle complaints. What is the outcome? The public, and businesses, see a group of large, powerful institutions and trade bodies operating from behind castle walls, with no transparency or external accountability save an expensive and prohibitive court process that is beyond all but the most well-resourced. Justice, for them, is out of reach, and RBS knows that.

When ad hoc redress schemes are set up to deal with scandals such as interest rate hedging products, GRG and HBOS Reading, they are wholly unsatisfactory and largely discredited. They appear to be a cynical exercise in limiting financial institutions’ liabilities rather than a genuine attempt at restitution. The fact that the entire exercise is conducted behind closed doors and the banks are allowed to act as judge, jury and executioner only fuels suspicion. The use of an “independent person”, whom the bank itself appoints, will never instil trust. It is akin to a burglar being allowed to pick the members of the jury for his trial.

To add insult to injury, in the cases of the interest rate hedging product scheme and the RBS GRG scheme, the fact that insolvency law allows the institutions to pay themselves back for their own misconduct brings the process into the realm of farce. It is a system that does not instil confidence. The best our institutions can say is, “Trust us, we’re doing the right thing; but if you don’t like it, sue us.” We have only to look at the content of the debate today to see that self-regulation alone is simply not enough.

I want to be clear: those of us who support this motion are not calling for extensive regulation. We are, however, calling for accountability, transparency and justice, because without proper transparent accountability there can be no trust. Ultimately, trust is what the financial sector depends upon; if we undermine and pollute it, it will never survive in the long run.

The cold fact is that right now in this country the trust that once existed has been shattered. This distrust has become so severe that it is affecting business confidence and productivity. The Government's own industrial strategy cannot be delivered on these shaky foundations. Simply, if we are to move on, we need to get a handle on the issues and look at the whole ecosystem for our businesses. That is why today we are calling for an inquiry that cuts across departmental lines and looks at the protections afforded to businesses during their life cycle. That way we can map out a long-term plan to ensure sufficient safeguards to prevent such things from ever happening again. More urgently, we are calling for a tribunal system to be set up to deal with financial disputes, a system analogous to that which already exists for employment tribunals. That does not require any primary legislation. The legislation already exists to enable the rapid establishment of a tribunal; it just needs the political will to carry it through.

Andrew Bailey at the FCA has openly supported the tribunal idea, but we are concerned about the recent focus on extending the remit of the Financial Ombudsman Service as this is not the right solution for what is a very complex problem. Once established, this tribunal system will help to ensure that banking works better, not just in the interests of its customers, but for the banking industry itself. This is important because we all acknowledge that the financial sector is critical to the UK's future prosperity, and the relationship that SMEs have with their bank is a central part of that. In an effectively regulated economy, the relationships between SMEs and the finance sector should be symbiotic, not parasitic; each supports the sustainable growth and the success of the other. But that is not where we are.

It is time that the Government, the FCA and Parliament step up to the plate to ensure that businesses get fair treatment and access to affordable justice. Our businesses deserve nothing less. Our economy requires nothing less, especially at this critical time with Brexit approaching.

This matter has been left to drift in the regulatory and legislative wilderness for too long. The consequences have been catastrophic not only to individual lives but to confidence in our entire financial system. In the wake of Brexit, the introduction of a tribunal system will help to rebuild the strong relationships that once existed between SMEs and their banks, helping the growth of our economy and the international reputation of our financial sector.

It is, however, important to say that constructive progress has been made. The banking futures project brought together stakeholders across the spectrum to produce a coherent and ambitious plan for rebuilding trust. If Members have not read it, I would certainly suggest that they do so. The all-party group on fair business banking and finance has formed a working group, which will be formally announced in the near future, to discuss and look at this area. We should have no doubt that this is an important first step for businesses and industry, but it is just one part of the jigsaw, for with a problem this big, only a systematic, open-minded challenge to the status quo will work for businesses, our banks and our economy. This is an opportunity for us to show the business community and, indeed, the country, that behind the lively exchanges that take place here and are

seen on television, we as parliamentarians can put aside political points-scoring and come together and work toward a common goal. I therefore commend this motion to the House.

Madam Deputy Speaker (Mrs Eleanor Laing)

Order. There will now be a time limit of five minutes.

12:24:00

Nicky Morgan (Loughborough) (Con)

It is a pleasure to follow the hon. Member for Norwich South (Clive Lewis). I congratulate him on securing this important debate, with the support of the right hon. Member for North Norfolk (Norman Lamb), at the Backbench Business Committee hearing. The fact that so many Members are present on a Thursday for this debate shows how many of us have constituents who have been affected by the RBS Global Restructuring Group, and their problems are the reason why we are here. The debate is being watched closely both in this House and outside. I pay tribute to my constituents who have been affected and the many other people who have contacted me. As the hon. Member for Norwich South said, people have lost their homes, their health and their marriages, and in some cases far more than that.

As we heard from the former Business Secretary, the right hon. Member for Twickenham (Sir Vince Cable), it is now more than three years since the publication of the Tomlinson report, which led to the FCA's decision to appoint an independent investigator to look in detail at what happened at GRG. The previous Treasury Committee, under the chairmanship of Andrew Tyrie, took evidence from Mr Tomlinson and RBS. RBS then had to apologise to the Committee for giving misleading evidence about the role and objectives of GRG. The Committee pressed for disclosure of the findings of the FCA's independent review. The new Treasury Committee in this Parliament, which I am privileged to chair, has been determined to continue the work of its predecessor, hence the number of documents tagged with this debate listed on the Order Paper.

Luke Graham (Ochil and South Perthshire) (Con)

Does my right hon. Friend agree that apologies simply are not good enough? For the many of our constituents who have suffered in their business interests and personal lives, we need this inquiry and tribunal so that we achieve justice for our constituents.

Nicky Morgan

My hon. Friend makes an important point with his customary passion, and he is absolutely right. I will come on to talk about the tribunal, but he is right that there are significant losses, some of which cannot be quantified. However, sometimes just starting by saying sorry can take the sting out of the situation, but we are still waiting for that.

Faced with the FCA's continued refusal to publish the section 166 report, my Committee appointed an independent QC to review the summary and to make sure that it was an accurate reflection of the full report with no material omissions. The FCA's final summary was finally published on 28

November 2017. Although it is written in neutral and technical language, it exposes a litany of poor conduct, mentioning “insensitive, dismissive and...aggressive” relations with customers and

“a culture of deal making...that set little store by the interests of customers”.

It also referred to “inadequate and inappropriate” complaints handling and a failure to handle “inherent” conflicts of interest—the list goes on. Just yesterday, in a letter to me, RBS published its 2009 “Just Hit Budget” memo, which we had already heard about. That lifts the lid on a culture at RBS, however much it tries to distance itself from that.

Given all that, it is unfortunate that the FCA and RBS decided to state that

“the most serious allegations made against the bank have not been upheld”

when the FCA published its interim summary. I think we all agree that what happened is still very serious, and I am sure that many firms agree.

It is also disappointing that RBS—again, pressed by the Treasury Committee—has disclosed that it does not accept many of the findings. In particular, it disagrees that inappropriate treatment of SMEs was “systematic or widespread”. RBS appears to be isolated on this, with the FCA supporting the conclusions of the independent review.

The Committee will take evidence from RBS and Promontory, the firm that conducted the review, very shortly. I encourage all Members who have not yet sent us evidence on behalf of constituents to do so. While the Treasury Committee does not consider individual cases, we will keep RBS’s feet to the fire over the functioning of its redress scheme.

I agree with the spirit of the comments of the hon. Member for Norwich South, too, because he is right to look at not just what went wrong, but the future, as the second half of the motion does. For small, financially distressed businesses, as he said, what we have is not a partnership of equals, but an unbalanced and potentially exploitative relationship in which banks can use their legal and financial firepower to ensure that their interests prevail over those of their customers.

As we have heard, the FCA told the Committee in October last year that it is considering broadening the scope of the Financial Ombudsman Service, but there is concern that the Government might not be prepared to consider a legislative solution. I would welcome the Minister addressing that point. The House will have to seriously consider whether the FCA solution is merely a sticking plaster, and if so whether the responsibility falls to us, as parliamentarians, to consider what legislation might be required.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op)

I have read the exchange about this matter between the right hon. Lady and the FCA. Does she agree that it is a real concern that that correspondence conveys the impression that the FCA is rather intimidated by the potential actions of RBS? Should it not be the other way around?

Nicky Morgan

The hon. Gentleman makes a valid point. Yes, of course it should be the other way round—the FCA is the regulator. While this is about an individual case, it is of course also about the wider message that is sent about the system of regulation and lending to SMEs.

As we have heard, one of the solutions could be a new dispute resolution regime for SME financing. I recently discussed such a proposal with my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) and the all-party group on fair business banking and finance, which has done important work in this area, on which I congratulate it. Another possibility would be to bring corporate lending of a certain size within the regulatory perimeter, thereby allowing the FCA to consider taking action against firms directly for any failings. Those are not mutually exclusive suggestions. I would welcome the Minister's commitment to publish the Treasury's analysis of the costs and benefits of moving the regulatory perimeter on small business lending. I would also welcome confirmation that the Treasury does not rule out a legislative approach to establish a new tribunal or to introduce a perimeter change, if either were deemed appropriate.

The GRG was a warning that all was not well, but at the moment only the advent of the FCA's senior managers regime is preventing such cases from arising again. I hear constituents and others saying that they will never trust a bank again and never ask a bank for money again, and this should be a chilling moment for all banks involved in lending to and working with SMEs. Bank lending is an important part of this country's financial infrastructure, which was why the then Government stepped in during the financial crisis in 2008. I assure the House that the Treasury Committee will continue to consider the options available to provide further protections to SMEs in their dealings with the banks.

12:31:00

Jo Stevens (Cardiff Central) (Lab)

I congratulate my hon. Friend the Member for Norwich South (Clive Lewis) on securing the debate. It is also a real pleasure to follow the right hon. Member for Loughborough (Nicky Morgan).

For me, the most alarming aspect of the whole issue of the banking sector's treatment of SMEs is the conspiracy of denial that has existed between banks and their professional advisers. That has been reinforced by the very institutions that are supposed to regulate the financial sector. My constituent, Mr Kash Shabir, is a victim of what is at the very least grossly unethical practice—it is much more likely to be criminal fraud—at the hands of Lloyds bank, the same bank that was behind the HBOS Reading fraud. His case is a lead case, having formed the backbone of an inquiry by the then Business, Innovation and Skills Committee in March 2015, under the chairmanship of my hon. Friend the Member for West Bromwich West (Mr Bailey), and of two Westminster Hall debates that I led, on 16 September 2015 and 18 April last year.

When lending to Mr Shabir was no longer attractive to Lloyds after the financial crash, it reneged on its lending commitment, relying on an alleged breach of the loan to value covenant. That breach was then justified by a down-valuation of his property portfolio, which was worth in excess of £10 million. The valuation was provided by Alder King LLP, a firm of chartered surveyors whose employees were embedded in Lloyds bank and then rewarded with lucrative LPA—Law of Property

Act 1925—work. The substantial evidence that I have considered over the past three years leads me to conclude that criminal acts have taken place, followed by a cover-up by the parties concerned.

The senior management of Lloyds, Alder King and the Royal Institution of Chartered Surveyors have all refused to meet me and Mr Shabir to discuss his case. None of them has the guts to sit in a room with me and my constituent to listen to his legitimate complaint. The approach taken—primarily by Lloyds, but also by Alder King—has been to use the gross power imbalance that exists between SMEs and the big banks to bully and belittle SME victims to the point at which at least one victim has taken his own life. The big banks hold all the power. They have an army of expensive lawyers. They obfuscate and delay, knowing that if they keep batting away their victims' complaints and concerns, those individuals will eventually capitulate because they have no other choice.

Jeremy Quin

The hon. Lady is making a powerful speech. She and the hon. Member for Norwich South (Clive Lewis) have both referred to the HBOS Reading case, in which guilty verdicts were delivered on 30 January last year. Does she share my concern, and that of my constituents who have been affected by this, that there has still been no settlement with Lloyds bank a year after those verdicts were delivered? This reinforces what the hon. Lady is saying.

Jo Stevens

I absolutely agree with the hon. Gentleman.

Statutory limitation periods are run down through deliberate delays by the banks. They know that they hold all the financial cards. How can any of their victims afford to litigate to seek proper redress when they have already lost their businesses and homes as a consequence of the banks' actions?

Melanie Onn

That is absolutely correct. Earlier I mentioned the case of a constituent who has spent at least £45,000 trying to tackle an injustice of which she is so undeservingly the victim. That has used up all her husband's firefighter pension.

Jo Stevens

My hon. Friend provides a powerful example of that gross imbalance of power. Legal expenses insurance is also extortionate and therefore out of the question. My constituent was quoted a premium of more than £1 million for insurance cover for his litigation against Lloyds. These are deliberate tactics by the banks to prevent their victims from getting redress, and they absolutely stink.

All the time this is happening, Lloyds senior executives present a public face of claiming to know nothing of what has gone on. I have copies of letters written by Members of this House in 2014 to the Lloyds chief executive and the regulators, formally alerting them—if they did not already know—to the irregularities in that bank. Lloyds itself commissioned an internal report in September 2013—the HBOS and Lord Turnbull report—which highlights many acts of criminality, as well as confirming

that the bank knew about the HBOS fraud as far back as 2008. The chairman and the chief executive of Lloyds have both maintained that they had no knowledge, but I do not believe those assertions to be accurate. This prompts the question that if the bank had knowledge of the fraud in 2008 and the HBOS convictions took place in 2017, why did the bank pursue personal guarantees on those fraud victims for nine years until the case went to trial? There can be only two answers to that question: either the bank is entirely incompetent; or those running it have not been honest. I am calling today on the Lloyds chair and the board to publish that report in its entirety.

Following the conviction of the six HBOS individuals who are now serving a combined prison sentence of 48 years, why has there been such a failure by Lloyds to compensate its victims? Similar practices have been shown to have been prevalent in the Bristol offices of Lloyds, but as yet no police force has carried out a proper forensic investigation. Anthony Stansfeld, the police and crime commissioner behind the successful HBOS convictions, is determined to see a full and proper investigation into Lloyds Bristol, and has passed evidence to Avon and Somerset police. I am calling today on its chief constable to expedite an investigation.

As evidence of abuse by the banks and of conspiracy with their advisers grows by the day, the banks cannot say at the highest level that they were unaware of what was happening and somehow insulated from the abuses that were taking place. The chief executive of Lloyds, Mr Horta-Osório, has made many public statements—that to the Evening Standard on 17 May last year is just one example—saying that he was unaware of the victims' complaints before the Reading fraud trial. However, I understand that the Turnbull report confirms both his and the Lloyds board's knowledge of HBOS criminality. I also have a letter dated 22 May 2014 from the right hon. Member for Twickenham (Sir Vince Cable), written when he was Secretary of State for Business, Innovation and Skills, confirming that he met Mr Horta-Osório to discuss my constituent's case, and that Mr Horta-Osório had assured him that

“he had looked into the case personally”.

It appears that Mr Horta-Osório is not as remote from these victims' cases as he claims.

It is imperative that we have a full inquiry into the actions of Lloyds and the other banks we have heard about today, and that should include a consideration of individuals' culpability. It should also compel full recompense to those who have been affected by the abuse. Such full recompense should be the subject of genuine independent third-party administration, not the charade that has developed around Lloyds' handling of the victims of the HBOS Reading abuse. That is why I support the establishment of an independent tribunal system and the motion before the House.

12:39:00

Mr William Wragg (Hazel Grove) (Con)

I congratulate the hon. Member for Norwich South (Clive Lewis) on securing this debate. I was pleased to be a member of the Backbench Business Committee when his application came before us, because such debates show the House at its best.

I have a confession to make: I am a capitalist. But I am a capitalist who believes in a system that depends upon sound financial management. The dishonest practices and systemic mismanagement

by RBS in this case fundamentally undermine capitalism. We know that the behaviour of the bank was wrong, both legally and morally, as reported and evidenced in the Tomlinson report and the FCA's skilled person reports. The injury to individual businesses and the business banking system as a whole has been compounded by the system of redress, which is judged to be inadequate by many.

Like many hon. Members on both sides of the House today, I have constituents who have been affected by this case. Just one such example of malpractice was the forced liquidation in 1998 of Pickup and Bradbury Ltd, a company formerly owned by a constituent of mine, Mr Eric Topping. Pickup and Bradbury was a building and joinery company based in Stockport. It was a business customer of RBS and, like many other businesses, used an overdraft to manage its cash flow. In 1998, the overdraft was £345,000—not an unreasonable amount for a business of that scale—and the company had been happily trading and growing under that arrangement for several years. Then, in February 1998, RBS wrote to Mr Topping saying that it wanted to reduce the overdraft facility to £200,000 and, moreover, that the company owed the bank over £700,000—a figure that is still in dispute today.

Unable to operate under more restrictive conditions, the company was moved into RBS's Global Restructuring Group, according to RBS, to help it to repay the money it owed. While under the administration of the GRG, the bank's advisers consistently undervalued the company's assets, while simultaneously overvaluing its liabilities, to support its claim the company was unviable and, in July 1998, it forced Pickup and Bradbury into receivership. The GRG engineered the fall of the company by demanding aggressive repayment plans and allowing insufficient time for company directors to appoint independent valuers to prove the worth of the company's assets and its solvency. Mr Topping believes the difference between RBS figures and his own was around £2 million.

Knowing that time is short and that many right hon. and hon. Members want to contribute, I will move on from that case and put some questions to the Treasury Bench. A scandal such as this, just like LIBOR before it, is yet another reason why people and businesses lose faith in the banking sector. Faith in the banks is essential for faith in our whole capitalist system, which I have hitherto been proud to defend. This scheme was organised fraudulent asset stripping on a massive scale, leading to the forced liquidation of many businesses—companies that people had poured a lifetime of effort into and which were their livelihoods. In the case of my constituent and many others, those businesses were their nest eggs for retirement. RBS likely made billions from the activity, but how many lives and livelihoods did it crush in the process?

We on the Conservative Benches in particular rightly tell the country we stand up for hard-working people. Mr Topping, and hundreds of business owners like him, are just such hard-working people, yet they have had their assets stripped by RBS and now have very little to show for it. It is time that we stood up for them. I have some questions for my hon. Friend the able and newly appointed Economic Secretary to the Treasury. While Her Majesty's Government has a controlling stake in RBS, what is he doing to ensure that the bank does the right thing by its former customers, both by the law and by the sense of common decency on which all civilised business ultimately depends?

Tony Lloyd (Rochdale) (Lab)

The hon. Gentleman is making an excellent speech, but may I ask him to widen his ambition? My constituent Derrick Cullen was the victim of Lloyds bank, so it is clear that the conspiracy was not confined to one bank, but was industry-wide— the lies spread across the industry. On that basis, the Government should do more than use their powers on a nationalised bank; the action must be systemic across the whole banking system.

Mr Wragg

The hon. Gentleman is right to highlight the broader practice in the banking sector. I have confined my remarks to RBS given that it was a constituency case, but he is absolutely right and perhaps draws on the work of the all-party parliamentary group on fair business banking and finance. I pay tribute again to the hon. Member for Norwich South and to my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) for their assiduous work on that APPG.

The hon. Member for Rochdale (Tony Lloyd) is generous in allowing me an extra minute through his intervention, but I have only one more sentence to say to the Minister. I will put it as simply as this: what does my constituent have to do to get back the money that was stolen from him?

Madam Deputy Speaker (Mrs Eleanor Laing)

Order. I remind the House that there are no extra minutes. There are only 24 hours in a day, and we cannot add more minutes by taking interventions. The minutes have to come from somewhere else. Gosh, everyone could do with a spell in the Treasury.

12:45:00

Mr Alan Campbell (Tynemouth) (Lab)

Perhaps I should begin with the confession that I am not a capitalist, but I do share the hope of the hon. Member for Hazel Grove (Mr Wragg) for fairness. I congratulate my hon. Friend the Member for Norwich South (Clive Lewis) on securing this debate. The motion primarily relates to RBS, but it acknowledges that the problem goes far wider than just one bank. At the heart of the motion is the proposition that several banks deliberately managed the closure of businesses to protect their own interests and in doing so prioritised the realisation of assets over any other outcome. The Tomlinson report, about which we have already heard, suggested that the banks had a deliberate strategy to artificially distress viable businesses, to engineer loan-to-value ratios to cause a breach and to revalue assets downwards to trigger a default. The banks had all the power and businesses had no meaningful recourse, and professional advisers were either ineffective or took the side of or even aided the banks.

In the brief time available to me, I want to highlight two constituency cases. The first is Mr Graham Stewart, a builder and property developer, who was courted for his business by Lloyds bank in 2003. His accounts were successfully managed locally and regionally at first, but then the fateful decision was made to transfer his accounts to the Bristol business support unit, and that is when his troubles began. The review periods on his loans were shortened, repayments were doubled and charges

were added at every single stage. He was told to sell some properties and to use Alder King, Lloyds chosen valuers, which systematically undervalued his properties. When he complained, his loans were called in. I understand that some of the banks may have accessed the enterprise finance guarantee scheme to cover their losses, and advisers got their fees, but my constituent was left with huge debts. He had never missed a payment and had never been in arrears.

My second constituent is Ben Warren, who was an Allied Dunbar client. Allied Dunbar was sold to Zurich Financial Services Ltd in 1998 after several mis-selling scandals, and parts of it were sold on a decade later. The deposit book was attractive, the loan book less so. Despite assurances to clients that they would not be materially affected by any transfer, within 14 days of the transfer, 95% of loans were declared to be impaired. That affected 300 people, including my constituent. A third were pushed into bankruptcy. The companies protected themselves at every stage by betting on the financial market. My constituent described it as like selling a car and then betting on whether it would break down. Mr Warren has a very simple question for the Minister: why does the UK allow companies based in offshore tax havens to manipulate small and medium-sized enterprises in that way? It certainly seems like systematic manipulation. To many, including myself, it looks like criminality.

The HBOS Reading fraud cost Thames Valley police £7 million to investigate, so where are the resources for such a Herculean task as investigating this situation? Allied Dunbar victims went to Northumbria police's economic crime unit, which said that it lacked the resources to investigate and directed them to the Serious Fraud Office, which then sent them back to Northumbria police's economic crime unit. We need accountability, we need transparency, and we need justice for the victims, including compensation. As we have heard, we need to protect SMEs in the future with a more effective tribunal system. Finally, and importantly, we need the Treasury Committee to continue to take a keen interest in the matter.

12:49:00

Mr Alister Jack (Dumfries and Galloway) (Con)

As a member of the Treasury Committee, I can assure the right hon. Member for Tynemouth (Mr Campbell) that the Committee is taking a keen interest.

In 2016 an RBS document leaked to the BBC proved that

“staff were asked to search for companies that could be restructured, or have their interest rates bumped up.”

Yet in November 2017 the FCA announced its conclusion that RBS had not set out to “artificially engineer” SMEs to fall into the GRG and that

“there was not a widespread practice of identifying customers for transfer for inappropriate reasons, such as their potential value to GRG”.

All I can say is, what absolute balderdash, and I will explain why.

In February 2009 I received a telephone call from the RBS bank manager who was looking after the accounts of our self-storage business in Edinburgh. He simply said that we were going into default, that our interest rate would immediately be put up to 6% above base, that RBS was looking into other issues and that we would be going into GRG. We had not breached any covenants, so I asked him for an urgent meeting. RBS had competed with Lloyds for our business, and we had a term loan on a building in Edinburgh, the Jenners depository, of which I was then, and remain today, the major shareholder. That term loan was 1% over base, and of course banks did not want term loans of 1% over base in February 2009.

We got the meeting. The bank manager came in and said he had remodelled our management accounts and that we were breaching covenants. I tried to find out how we were breaching covenants, and he could not tell me. When my bookkeeper was looking over his shoulder as she gave him a glass of water, she spotted that he was using the management accounts of February 2006, some three years previously, to claim the breach, so I showed him the door and did not hear from him again for three weeks, when he came back and told me that we were in breach of our covenants because our building had devalued by 40% and that we were immediately being moved to interest of 6% over base.

I called the bank manager in for another meeting and said that we must get the building revalued. Other Members have mentioned Alder King and others. Self-storage is a very specialist business and RBS wanted just to use its own valuer. I smelled a rat and insisted that a self-storage valuer was used. RBS said that we had to bear the £15,000 costs, to which I responded, "Here's the deal: if the valuation remains the same, which is fine for our covenants, or goes up, you pay it." RBS was confident the valuation would go down. When the valuation came back, it had doubled and RBS had to pay the costs. Needless to say, RBS was livid.

The manager disappeared from our radar and RBS proceeded to make things as difficult as possible for us because, as I said, no bank wants a loan of 1% over base. We then tired of RBS and moved our term loan to Handelsbanken, obviously at increased expense but we had lost faith in RBS.

I later learned from a bank manager who had moved on to a different role that after the October 2008 bail-out—when Fred Goodwin had left and Stephen Hester had arrived—we were an unsuccessful part of what was called "project dash for cash." The plan was to seize assets through perceived default, and between 2007 and 2012 more than 15,000 companies were moved into GRG to await their fate. From my own experience, I have no doubt that many of those customers were not treated with proper care and attention.

I also have no doubt that the FCA's conclusions, to which I referred earlier, are wholly wrong and that there was a widespread practice of identifying customers for transfer to GRG for inappropriate reasons.

Stephen Kerr (Stirling) (Con)

What are my hon. Friend's conclusions about the culture that prevailed in RBS at that time? Does that culture continue to this day?

Mr Jack

I do not know whether it continues to this day because I no longer deal with RBS, and I would not deal with it again on principle. The culture at the time was disgraceful. My business was making a profit when RBS came in, and it has made a profit every single month since. That is a good example of how RBS tried it on.

I was lucky to be in a robust enough position to send RBS packing. None the less, it was a very stressful and unpleasant experience. For a variety of reasons, countless thousands were not as fortunate, and many lives were needlessly ruined by the disgraceful and unscrupulous behaviour of RBS bank managers across the country. Those customers deserve proper redress. I support the motion.

12:55:00

Norman Lamb (North Norfolk) (LD)

The testimony we just heard from the hon. Member for Dumfries and Galloway (Mr Jack) was incredibly powerful and valuable.

I speak as a co-sponsor of the debate, and I agree with every word of the opening statement by the hon. Member for Norwich South (Clive Lewis). The revelations in the report of the independent review are absolutely shocking, and that is without the revelation from my right hon. Friend the Member for Twickenham (Sir Vince Cable) that the full report says

“Management knew or should have known that this was an intended and co-ordinated strategy”.

Why was that left out of the report’s summary? It potentially makes the FCA complicit in the cover-up, which is incredibly serious and needs to be considered.

Even without that, the report of the independent review highlights systematic failures, which in itself is an incredibly important conclusion. There was a failure to fully recognise and manage the conflict of interest between GRG’s twin objectives of turning around businesses and making a financial contribution to RBS. The review concludes that the commercial objective had been the strategic focus of management. That prompts the question: was GRG just incredibly stupid, or did it know exactly what it was doing? If it did know what it was doing, it amounts to theft of assets from people who, in many cases, were running entirely viable businesses—the hon. Member for Hazel Grove (Mr Wragg) described it as asset stripping. These were people who had grafted throughout their adult lives to build up their businesses, which were destroyed by this outrageous behaviour. It is an extraordinary scandal.

The catalogue of unacceptable behaviour outlined in the review and exposed by brave whistleblowers demonstrates an absolutely rotten culture: victory emails celebrated taking assets off businesses; there were incentives for staff to take more money off stressed businesses to boost their bonuses; and what of the role of lawyers in managing the conflict of interest, or of the accountants, or if the auditors? Who was complicit in this scandal? That is why the hon. Member for Norwich South said we need an inquiry to find out who is culpable.

Kevin Hollinrake (Thirsk and Malton) (Con)

The right hon. Gentleman is making a powerful speech. He mentions the relationship between the FCA and RBS. Is he aware of the leaked minute from an FCA board meeting that says that one of the reasons why the FCA will not release the full report is that it is concerned about being sued by RBS? Does that not raise the question of who is regulating whom in this relationship?

Norman Lamb

The hon. Gentleman is entirely right. We rely on the regulator to be powerful and tough in such situations.

The human cost is incalculable. People have been driven to suicide and marriages and health have been destroyed, but who has been held to account for this disgusting behaviour? People and businesses ruined must have justice. I say to the Minister that an independent tribunal is essential. It would act as a deterrent to bad behaviour; banks would know their actions have consequences if they knew it would go to an independent tribunal.

My constituent Mark Wright is an RBS whistleblower. His career and his health have been destroyed. He and others are the heroes of this sorry story, risking everything to do the right thing, yet he has also been horribly let down by the regulator. The FCA, including its chief executive, Andrew Bailey, dismissed his concerns, but this week he won a vital victory when the complaints commissioner ruled that the FCA was wrong to reveal his name to RBS. What cavalier disregard of a whistleblower's rights! The FCA fought the complaint all the way, only apologising right at the end. The case was brilliantly pursued by Steve Middleton, who deserves enormous credit. He is now setting up, with others, Bank Confidential—I declare an interest in that I am a patron—to protect whistleblowers and expose wrongdoing.

The truth is that whistleblowers have no real protection in this country. Contrast that with the situation in the United States, where the Dodd-Frank legislation introduced the Office of the Whistleblower, which is there to protect whistleblowers. Whistleblowers are rewarded financially for doing the right thing—they are awarded between 10% and 30% of the sanction collected against the firm, which can run into millions of dollars. What a contrast with the position in this country! We need our own office of the whistleblower, and whistleblowers should be guaranteed anonymity; they should be rewarded for their bravery. Maintaining the integrity of the banking system is of fundamental importance to all of us, and whistleblowers are necessary for that purpose.

My fear is that in the aftermath of the crash in 2008, all the focus of the banks, the regulator and Government was on rebuilding balance sheets, and a collective blind eye was turned to how that was achieved and how many victims were left along the way—business owners and whistleblowers. The Government and the FCA now need to act to clear up this scandal and to get new arrangements in place to rebuild trust in British banking and give justice to those ruined by this outrageous behaviour.

13:01:00

Neil O'Brien (Harborough) (Con)

I welcome this important debate and congratulate the hon. Member for Norwich South (Clive Lewis) on securing it.

I am conscious of following a very powerful speech. I think Members on all sides of the House will be horrified and sickened by the contents of the RBS memo, and I congratulate members of the Treasury Committee on putting it in the public domain. Gloating and cruel, it is a symbol of a profoundly sick culture within that bank. To give RBS its due, let me say that I welcome its £400 million compensation fund and the complaints procedure presided over by a former judge, but there is still a long way to go. Sadly, as a number of hon. Members have pointed out, the issues raised by RBS are not confined to that bank. The solutions we need are industry-wide.

One of my constituents had an experience with HSBC of exactly the same kind as those experienced in RBS cases. His lighting business had a cash-flow problem, which was no fault of his—indeed, it was partly the fault of the bank for authorising a payment which he did not believe could be authorised. His secured loan was turned into an overdraft and then he was offered a nine-year sustainable loan to work out of the debt, on the condition that he first paid a one-year loan without being chased for it. He did that—he did all the right things—but the nine-year loan was never forthcoming; instead he was offered a series of one-year loans at increasingly high interest rates, with increasingly high charges. In effect, he was made to work on an ever-faster-moving treadmill just to stand still. This was a perfectly viable business and a very hard-working man who has done a good job.

In 2014, the financial ombudsman finally ruled against HSBC, saying that it should restructure the loan on the original terms that he had been offered and repay all charges made. There are two disturbing aspects of this case. The first was the bank's fundamental approach to this small business: this was not relationship banking and it was not an attempt to build a company over the long term; it was an attempt to sweat it for everything it was worth and to push it towards bankruptcy. The second and even more disturbing aspect was the bank's response to the ombudsman's ruling: instead of complying with the clear spirit of that ruling, the bank seized on an imprecision in the ruling to try to retrospectively force a much more onerous loan on to my constituent. After a second successful appeal to the ombudsman, the bank will still only offer my constituent a loan on far more onerous terms. As a result, nine years on, he is still in dispute with the bank. His life is on hold and his home is under threat, but despite everything he has managed to keep the business going—good on him, but it is not thanks to HSBC.

For victims of RBS GRG and other banks, we need a profound change in the culture of small business lending in Britain. I agree with many of the suggestions that other hon. Members have made. We need an ombudsman or regulator that banks are more frightened of, with stiffer penalties and clearer, quicker and more specific remedies. Since 2010, we have made real progress in reforming the banking sector: we have replaced the tripartite system that failed so spectacularly; we have seen the Vickers report and the ring-fencing of retail banks from investment banking; we have ended “too big to fail”; we will see bankers stand trial next year for their role in the financial crisis; we have introduced higher capital requirements and safer banking measures to increase competition and encourage challenger banks; we have the new open banking, the tougher bank bonus clawback regime and the bank levy. Despite all the good work that has been done, there is still a lot to do. The

next reform made by the Treasury must be to put in place a stronger regulator and ombudsman, and to secure justice for our small businesses.

13:05:00

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op)

I congratulate everybody involved in bringing this important issue before the House for debate today. I was first confronted with some of these issues in my former incarnation as Chair of the Select Committee on Business, Innovation and Skills, when a number of the cases outlined by Members today were brought to my attention. As I studied them, my first instinct was that these were just isolated cases of maladministration and that banks could not possibly be behaving in such a way, which one would assume contravened not only any sort of ethics or sense of fairness, but the law itself.

Further investigation and consultation with other Members demonstrated that what I thought were one or two isolated incidents of maladministration were in fact part of a national problem resulting from a culture that obviously prevailed within the financial services industry, and that in many ways was propped up by other professional and corporate organisations—valuers, receivers and so on—who were making money out of it. Therefore, I particularly welcome the emphasis a number of Members have put on pointing out that although this motion focuses on RBS, this is a general and systemic problem, as was determined by the fact that about 60% of lending to small and medium-sized enterprises was done by two big banking conglomerates, Lloyds and RBS. They, by their actions, set the culture and tone of how banking has dealt with small businesses and the way small businesses perceive the banks.

I applaud the motion, because it makes it clear that although RBS may have implemented some remedial actions, this is a general problem that needs a general solution. I read the minutes of the Treasury Committee interviews with Andrew Bailey of the FCA, and one of the most astonishing things I read was the regular comment made by him that such actions were “outside the regulatory perimeter”. What an astonishing thing for somebody in charge of the organisation designed to implement regulation to acknowledge: that for a long period banking practices had actually gone on outside any sort of regulatory perimeter. One would reasonably expect such a body to be pressing the Government to pass the necessary legislation in order to alter that position. In part, these huge personal, economic and business problems have arisen because of the failure of that body to make that case.

In the past, like many other people, I assumed that banks giving loans to business did so because there was a mutuality of interest: the bank would make money, the business would thrive and the country would thrive via the economic benefit that that would bring about. Instead, a process has been built into our economic system by which the organisations that were supposedly providing the lifeblood of our economy—driving productivity, investment and so on—were in fact destroying it. Indeed, their future depended on their destroying, through corporate theft, financially sound businesses that were providing employment and contributing to the economy.

The Orwellian name of the Global Restructuring Group hides the fact that it was effectively death row for businesses, and its structure was mirrored by other banks. All that underlines the proposals in the motion that imply that the Government, through the FCA, must impose a far more rigorous regulatory environment to drive the change in culture that is so necessary.

Madam Deputy Speaker (Mrs Eleanor Laing)

Order. After the next speaker, the time limit will be reduced to four minutes.

13:10:00

Bob Stewart (Beckenham) (Con)

My constituent Dean D'Eye and his family and friends have been terrorised by insolvency professionals working for GRG and Dunbar bank. Mr D'Eye's life's work has been taken away from him. He had a development company in south London that had a value of £140 million, as well as a thriving youth-hostel business that employed 100 people. Dean D'Eye's father and step-mother, Derek and Ann D'Eye— 82 and 71 respectively, and also constituents of mine—have been evicted from their home, and numerous other family members and friends have been attacked using predatory litigation tactics. The whole D'Eye family faces complete wipe out.

It all started 16 years ago when Mr D'Eye became a customer of the Romford lending division of NatWest, which is now part of RBS. NatWest funded his investment business and he was mentored on business development by Dunbar. During the third quarter of 2008, GRG started to hound him, despite his never having missed an interest payment and at a time when interest rates had plummeted. GRG thus managed to get him into insolvency by 1 June 2009.

The loss of a large proportion of the group's cash flow started to cause issues with Dunbar bank, which was by early 2010 starting to experience significant problems itself. The Zurich group moved the bank to its centrally managed business division, which was headed by Mr Colm Holmes. Mr D'Eye, who is present in the Public Gallery, has described the business division as an extortion racket. As is evident from this debate, the GRG's tactics are becoming well known, but I wish to highlight Dunbar's far more aggressive actions and the systematic destruction of its clients' former loyal staff, long-standing suppliers and valuers. I am pleased that the Treasury Committee is looking into the matter.

Mr D'Eye describes the current situation with respect to small business lending in the UK as utterly unsustainable, and I think we all agree. Financial institutions have been allowed to run riot with demands for personal guarantees in all aspects of business, and the limited-liability company may well soon head into extinction. If we combine that with the fact that banks do not seem to be trusted and have not been brought to justice for their actions, we have the perfect storm for SMEs. UK productivity cannot improve without a thriving SME sector. We have some of the best entrepreneurs in the world, but we must sort out the banking infrastructure on which they rely—as well as getting justice for those poor devils who have suffered so much as a result of the banks' actions.

13:14:00

Mrs Madeleine Moon (Bridgend) (Lab)

If we do not agree today that there is going to be justice for all those people who have been damaged by the banking crisis—by the illegal actions that have taken place across the banking sector and among the organisations that worked alongside the banks, including the valuers and surveyors—all the distrust of this House will be valid. It is in our power to give those people justice, and that justice must start today.

My constituent, Mr Smith, ran a small engineering company and had banked with NatWest for 12 years. He took out a £180,000 mortgage on a new building. He reduced the mortgage because his company was doing well; in fact, it was worth £220,000 fairly quickly. He decided to invest in new equipment to help him to expand. Unfortunately, when the bank agreed to fund the investment in new equipment, it put a second charge of £80,000 on his home, assuring him that it was not a problem because the bank would always negotiate with him if his company had any difficulty.

There were rumours that the bank needed money, so Mr Smith asked the bank manager whether things were okay, but he was assured that it was as safe as houses. As we know, though, the bank collapsed, and within weeks the flow of work into Mr Smith's company also collapsed. A contract worth £30,000 was closed down literally overnight.

Mr Smith then had a problem with the Royal Mint, which was supposed to make a payment into his bank account on the Wednesday but rang at the last moment to say it would be made on the Thursday. Unfortunately, Mr Smith had arranged to pay suppliers on that same Wednesday. Instead of doing what it had always done previously, which was to act reasonably and say, "Don't worry about it," the bank charged him £600, adding to his financial problems.

The situation quickly became a huge problem for Mr Smith. He started to get phone calls from a few departments at the bank. [Interruption.] I am sorry about my phone ringing, Madam Deputy Speaker! In fairness, it did seem like it was RBS calling. The bank was calling Mr Smith to ask him to come in to discuss his loans. That was when he entered the GRG bracket. In the end, he was forced to close his business.

Despite Mr Smith's attending court on numerous occasions and being a litigant in person, RBS often did not send people, or appeared badly prepared. It was only when I finally managed to get through to the bank and criticised its actions that it agreed to a meeting with Mr Smith. The bank actually said to Mr Smith's wife, "It is not a matter of if we will take your home, but when."

Mr Smith and his family have gone through hell. Like many of the companies that have been discussed in the debate, they would have been a cornerstone of Britain's economic recovery. Instead, trust, confidence and belief in the British banking system has been systemically destroyed.

13:18:00

John Lamont (Berwickshire, Roxburgh and Selkirk) (Con)

I am grateful for the opportunity to speak on an issue that has deeply affected so many small and medium-sized businesses throughout the United Kingdom. The Royal Bank of Scotland should be one

of the jewels in the UK's crown: a principled yet profitable business carrying the great name of Scotland and doing business in every corner of the globe. Perhaps it was something that we could be proud of before 2007, but actions of the bank that have been uncovered since then have lost it almost all its credibility.

The Global Restructuring Group is responsible for much of its now bruised brand image. It was responsible for stripping businesses which were deemed to be perfectly viable. Those are not my words, but the words of the Tomlinson report, which stated:

“GRG artificially distresses otherwise viable businesses. Through such actions, GRG placed businesses on a journey towards administration, receivership and liquidation.”

One of GRG's tactics was to appoint its own valuers to appraise assets put forward by companies against loans, deliberately undervaluing the assets and then putting them into GRG even if those companies were not behind with their payments. My hon. Friend the Member for Dumfries and Galloway (Mr Jack) described very well the challenges that businesses and individuals have faced in that regard. Anyone can see that that should be absent from business practices in the United Kingdom.

Of course, RBS denies that it made any money from such practices, but we must remember that the senior management of the bank created the circumstances in which it became so desperate to liquidise many of its investments. It must also be pointed out that the Financial Conduct Authority found that GRG's actions failed to comply with the bank's own standards. It is only right for the FCA to hold the bank to account and to fight on behalf of customers—business or otherwise.

Unfortunately, such practices are not confined to customers of Royal Bank of Scotland. As many Members may be aware, UK Acorn Finance Ltd is held responsible by many in the agricultural industry for forcing farmers into bankruptcy or eviction. One example is that of Kevin and Angela Holt who farmed in the constituency of my hon. Friend the Member for Moray (Douglas Ross). They are, in their words, victims of a fraudulent loan scheme that led to the loss of their farm. I am sure that there are countless small businesses that see their circumstances reflected in today's debate.

It is also important to remember the problems that financial difficulties can lead to. It not only leaves a hole in the bank balance, but leads to mental health problems and can cause irreparable damage to families, especially in small businesses. The businesses affected are not faceless corporations, but, in many instances, small family companies supporting local employment and the local economy. I am very grateful to the Government for what they have done in continuing to fight hard to strengthen the financial sector, but more needs to be done.

As I have said, RBS is no stranger to bad news. Bankers' bonuses, branch closures and bail-outs highlight but a few cases. One needs only to ask some of my constituents for their thoughts on the recent announcements to understand the consequences of its actions on local people, and the injustice that they feel. However, the acts of the Global Restructuring Group are perhaps its most intemperate over the past decade, since the beginning of the great recession. It is our duty in this House to stand up for those who have been crushed by the immoral acts of this corporation, which, as we all know, is now owned by the taxpayers of this country.

13:22:00

Jeff Smith (Manchester, Withington) (Lab)

In the brief time available, I will add my voice to that of those calling for a proper inquiry into the scandal, and a proper tribunal system for dealing with SMEs that are in difficulty.

I wish briefly to cite the example of my constituent, Anthony Molyneux, whose small business has been mishandled by RBS over the past several years. Equally—as we have heard, this is a much wider problem—I could cite the case of my constituent, David Farnden, who has been treated appallingly by the Yorkshire Bank over a long period of time.

Mr Molyneux's experience is one of the thousands of cases in which RBS has put its profits before small businesses that needed, expected and deserved its support to turn their businesses around. He estimates that at least £1.5 million of assets were sold for around £260,000 to make a quick buck for RBS. The problem started when he was alerted by one of his tenants that an auction sign had been placed outside one of his premises. The auctioneers confirmed that RBS had placed his premises up for auction in order to pay back some of the debt that it claimed he owed.

RBS did not follow the correct processes when it used the TR2 process in the sale of Mr Molyneux's land. It did not communicate properly with him and did not give him adequate opportunity to clear his arrears. After a long dispute about the amount he owed, he got an agreement in writing, and then RBS came back demanding more money.

I do not have time to go into the long list of very serious concerns about the process and ethics of the sale, suffice it to say that Mr Molyneux took his case to the financial ombudsman, which upheld his complaint. It recognised wrongdoing on the part of RBS, but said that, in the absence of the loan agreement that RBS said could not be found, it would be for the courts to decide the legality of the bank's actions. That left the onus on Mr Molyneux to undertake a very expensive and risky court process. Six years on, the issue has not been settled, and he has not had an adequate settlement for his dispute. Sadly, that case is typical of the kind of failings revealed in the FCA's report on RBS.

It is clear from this debate that small businesses across the country have suffered as a result of a system that lacks adequate checks and balances. The incidents are not isolated, as we have heard. Sixteen thousand companies were handled by the GRG. Of those, only one in 10 ever returned to health and, at the same time, the GRG became one of the bank's most profitable sectors. We have heard that there has been a systemic failure. The banks have failed to recognise and grasp the glaring conflicts of interests between their commercial aims, and their obligations to businesses and all of us to help SMEs to turn around and make a profit.

It is clear from this debate that my constituent's experience is one of many examples in which SMEs have been the victims of a banking sector that is focused solely on profit, not on supporting its customers or our wider economy. It is also clear that the financial ombudsman is unable effectively to provide for accountability in cases such as the ones that we have heard about today. It lacks the power or authority not only to prevent such examples of corporate greed, but to achieve justice for those affected. In the wake of the FCA report, which has exposed a widespread failure in the system, the Government must take action, so I strongly call for a Select Committee inquiry—a proper inquiry—and a proper process to bring RBS and the other banks to justice on behalf of my constituents and those of other Members.

13:26:00

Kevin Hollinrake (Thirsk and Malton) (Con)

First, I must draw the attention of the House to my entry in the Register of Members' Financial Interests. I have been in business for 25 years and still am today, and our business was once a customer of RBS. Thankfully, we did not suffer from any of the tragic circumstances that many Members have talked about today.

I thank my co-officer on the all-party group on fair business banking, the hon. Member for Norwich South (Clive Lewis), for clearly setting out the case for a tribunal, to which I need to add very little detail. I will, however, make some further points. There is not only a case for justice here, but an economic imperative. We know that the powerhouse behind our economy is SMEs. Some 99% of all businesses are SMEs. They employ 60% of our private sector workforce and create 51% of its turnover, yet they have suffered terribly from these colossal injustices. There is now a crisis of confidence between our businesses and our banks. The Treasury is doing great work in trying to find funds for new companies and scale-ups that cannot borrow, but what about those companies that will not borrow because they just do not have the confidence to do so? Many people in the Public Gallery can provide great evidence to show that, in their minds and the minds of many other business people, that is absolutely the case.

This is about not just RBS, but many other banks, such as HBOS and Lloyds. We are talking about tens of thousands of businesses, but that statistic masks individual tragic stories. These are people's lives and their life's work. My constituents John and Kerry Welsby had a good business. They were persuaded to take on a loan that the bank salesman did not understand, and that they could not understand but, in the pressure of business, sometimes people take on such loans. They signed up to the loan but, as interest rates fell, the cost went from £6,000 a month to £17,000 a month. That broke the business. The bank then decided that it would compensate them for the cost of the loan—a few hundred thousand pounds, which is an awful lot of money—but what about the cost of the business that was broken? That was their life's work—tens of millions of pounds. It is an outrageous injustice.

The difficulty, as we all know, is not only that banks are too big to fail, but that they are too big and too wealthy to sue. No form of justice is available in this situation. I do not believe that the Financial Ombudsman Service could deliver the solutions we need. We need to look at other solutions to provide justice. Our all-party group is considering the idea of a tribunal and we need to ensure that we get that justice. In a tribunal, the plaintiff will not have to carry the costs of the defence if they lose, so it represents an accessible form of justice. We believe that that could be delivered through secondary legislation, but obviously we need to look into that.

The all-party group accepts that we need to do proper research. One thing we absolutely cannot countenance, and that even businesses that have been wronged in this process will not countenance, is to stem the flow of lending. We cannot afford to do that, so we must take the time to conduct research. We are prepared, as an all-party group, to do that. We have support from some surprising places—participants in the financial services industry. We just need time for the Treasury

to work with us to ensure that we deliver the right solutions for justice and to benefit small businesses and the UK economy.

13:30:00

Chris Ruane (Vale of Clwyd) (Lab)

For 10 years, I have been dealing with George Jones, a farmer in my constituency. George has been a victim of big banks, small banks, dodgy accountants, solicitors and valuers for the past 13 years. He has been let down by all the organisations that should have been there to help him, including various police forces, police and crime commissioners, the Independent Police Complaints Commission, the Solicitors Regulation Authority, the Financial Conduct Authority and the Serious Fraud Office.

My constituents and others from around the country are looking to us today, as parliamentarians, as their last hope of gaining justice. I hope that we do not let them down. The web of deceit between a whole range of organisations is highly complex, from the big banks—RBS and Lloyds—to accountants, solicitors and valuers. I hope to discuss the impact of this national scam as it pertains to my constituent George and his family. In doing so, I am heavily reliant on George and his friend, Martin Wickens, who is an expert in this area and has been working with him.

George Jones and his family were treated extremely poorly by Barclays. Within days of his father suffering a stroke, Barclays was round at his farm, stating that a new bank mandate was immediately required. Barclays leant heavily on my constituent, reorganising the finance not to the benefit of George or their mutual benefit, but to the benefit of the bank. It acted with indecent haste. Barclays also leant on him for insurance policies, saying that without insurance, the interest charges would be increased. Barclays effectively turned its back on my constituents.

Once Barclays had turned its back on George and his family, the family were forced to go elsewhere for finance. They turned to Peter Williams, a renowned agricultural solicitor who often featured in the agricultural press. Peter Williams, with his contacts in Burges Salmon Solicitors, UK Acorn and Commercial First, was able to get my constituents' debt down by £100,000. The costs to George and his family were £130,000. They then proceeded to tie George and his family up in debts, loans and mortgages that they could not get out of. My constituent is now a pensioner, and he will likely die in harness. He is effectively a slave to these parasitic financial organisations—and he is just one of 46 cases.

As I mentioned, the organisations that should have been investigating this have let George down. His friend, Martin Wickens, has done an analysis of 20 of the cases, and the modus operandi of Burges Salmon, UK Acorn and Commercial First is the same as has been repeated around the Chamber today: undisclosed conflicts of interest; valuation rigging; the payment of substantial secret commissions of up to £92,000; mortgage churning; regulated mortgages advanced on unregulated loans; conspiracy to defraud and document forgery; false accounting; and breaches of the Law of Property Act 1925.

In conclusion, I shall refer to the answer to a written parliamentary question that I tabled. George and other taxpayers have paid £134 billion to the banks since 2008. I hope the Treasury Committee will pursue this. I hope that we have an inquiry and that a tribunal is set up, and I hope that Avon and Somerset constabulary will now pursue Burges Salmon, Acorn Group and Commercial First.

13:34:00

Stephen Kerr (Stirling) (Con)

I congratulate the hon. Member for Norwich South (Clive Lewis) and the right hon. Member for North Norfolk (Norman Lamb) on securing this important debate. I wish to be associated with their remarks and with those of my right hon. Friend the Chair of the Treasury Committee.

Little did I know, when I left school at 16 to join the Royal Bank of Scotland as a junior bank officer, that all these years later I would be standing in the House of Commons talking, I am afraid, in negative terms about the Royal Bank of Scotland, which, as one of my colleagues said, was one of Scotland's finest institutions and now badly needs to be restored.

Little did I know, either, that I would end up speaking so often in this place about the Royal Bank of Scotland, most recently about the branch closures in my constituency. There is a theme here. The Royal Bank of Scotland is going to leave small businesses in Stirling, especially in Bridge of Allan, Dunblane and Bannockburn, with no branch to interact with to transact their cash management. I think, as we look through the issues today, we will see a theme of casual disregard and contempt for small and medium businesses, and that, I am afraid, pervades RBS's approach to business customers.

On the activities of the GRG, the FCA's October 2017 report makes depressing reading. I lost count of the number of times the words "inadequate", "inappropriate", "systemic" and "failure" were linked to a wide range of activities. Many Members from all parties have examples of how these systemic failures have affected individuals. I am no different. However, I am mindful of ongoing investigations involving cases in my constituency and I have no wish to prejudice or jeopardise their progress by making reference to them. I shall simply say that, in the cases that have been brought to my attention, there remain many unanswered questions for the Royal Bank of Scotland to address and many injustices to be put right.

Eddie Hughes (Walsall North) (Con)

My hon. Friend mentions that he was employed by that bank, of which he was once very proud. Could he make any comment on what has brought us to the position where he is now embarrassed, perhaps, about his previous employment?

Stephen Kerr

I am not sure I am embarrassed about my previous employment, but what has brought us to this situation is a culture—a culture that, I am afraid, is institutionalised and industry-wide. That culture is captured in the document in my hand, which, thanks to the offices of the Treasury Committee, is now publicly available. The document, entitled "Just Hit Budget!" contains many sentiments that

betray the culture of the Royal Bank of Scotland of that era, but I sincerely hope not of this era, although I remain unconvinced.

Interestingly enough, the chief executive of RBS, in correspondence to my right hon. Friend the Chair of the Treasury Committee, in my eyes justifies the letter by saying that

“it was written in 2009 by a junior”bank “manager”.

Frankly, a junior bank manager would not have written that document without understanding that it conformed to the culture of the business that they were operating in. I am afraid that the chief executive is condemned by his own justification, which does not wash.

In the time that I have left, I will not try to rehash many of the things that have been said, but simply say this. There is a gap in funding support for small and medium-sized businesses in this country, and it is holding us back as an economy. These companies are the lifeblood—the engine room—of our economy, and it is not acceptable that they do not have recourse to an independent mechanism to which they can bring their complaints of unfair and unreasonable practices when dealing with our financial institutions.

Given the appalling conduct uncovered in many reports—not just the report that I referenced earlier—there is obviously a failure to comply with the voluntary code, however much the banking lobby may continue to stand by it. In fact, ironically, the stronger that lobby—funded, in part, by the inappropriate gains that have been made through the immoral practices in relation to small and medium-sized businesses—the stronger is the case for an independent body. They had their chance, in my eyes, and I am sure in others’ eyes, and have failed. It is time, and it is right, for this Parliament to take responsibility—to step in and to act to ensure that an independent body, as described by me and others, is created, and as quickly as possible, because enough is enough.

13:39:00

Ged Killen (Rutherglen and Hamilton West) (Lab/Co-op)

As we have heard, this debate is about wider failures, which go beyond RBS GRG. I would like to highlight the extent of the problem by drawing on the experience of my constituent, Mr Derek Carlyle, who is in the Gallery today. I pay tribute to the late Jimmy Hood, the former Member for Lanark and Hamilton East, who first raised this case in a Westminster Hall debate on 10 March 2010. The record of that will show a more thorough account of the case than I will be able to give today.

Almost eight years later, things have moved on significantly for Mr Carlyle, but the issues he faced and the considerable challenges he had to overcome remain today. What started as a good relationship with RBS took a turn for the worse in 2008, when a promise to provide development funding was withdrawn. Mr Carlyle went on to fight for 10 years in the face of relentless intimidation, bullying and underhand tactics by RBS. It sought to destroy Mr Carlyle, and it almost succeeded. It manipulated his personal bank accounts, seized his assets, forced his company into administration, and set about preventing solicitors from acting on his behalf. His solicitor at the time, also a small business, found itself under siege, inundated with requests and bombarded with phone calls—so much so that it was unable carry out its usual functions and provide a service to its other clients. In the end, it felt that it had no option but to cease representing Mr Carlyle. Eventually, his

case was taken by a firm of solicitors that was not specialised in litigation, and first had to seek the permission of RBS before it could act.

Mr Carlyle had to go all the way to the Supreme Court to settle his case—the only person to do so—and it came at a huge financial and personal expense. He lost his business and his house, his private life was affected, he suffered damage to his reputation, and he was forced into bankruptcy. The great unfairness is that the bankruptcy restriction order against him is still in place today, meaning that he is unable to act as director of a company, unable to borrow more than £500, and even unable to become a Member of this House should he wish to turn his talents to the world of politics. How can it be fair for someone to fight for almost 10 years, be vindicated in the highest court of law, and then, at the end of it all, find themselves significantly disadvantaged in what they can and cannot do in their personal and professional life? The legislation that controls bankruptcy in Scotland is devolved. I am disappointed that the Minister for Business, Innovation and Energy in the Scottish Parliament has declined to intervene to correct the unfairness that means that Mr Carlyle is still subject to the bankruptcy restriction order.

Most of us would not have the determination or strength of character that it took for Derek Carlyle to win his case. He was told on more than one occasion to give up. He says that he relied on others who put their neck on the line, and no small measure of luck. If this can happen with a bank that is over 70% owned by the taxpayer, it can happen with any bank. It shows that we have a completely dysfunctional system where the balance of power is heavily in favour of not just the banks, but professional advisers who are integral to the system, such as surveyors, insolvency practitioners and solicitors. Moreover, bad behaviour is rewarded because outcomes like Mr Carlyle's are rare and almost impossible to pursue. It is in the interest of small and medium-sized enterprises and the banks to sort this problem now. It is not going away, and failing to tackle it will only push it further down the road. The last thing we need is another banking scandal.

It is not sustainable for banks to continue to act as judge and jury, and it should not take what Derek Carlyle had to go through to reach a fair outcome. I fully support the recommendation of the APPG on fair business banking. We need to bring complaints out into the open. We need an affordable, accessible dispute resolution process. It needs to be a completely independent system that sits outside the regulatory structure and has the knowledge and power to deal with the complex disputes that will be brought before it. The best way of achieving that is through a public tribunal system, and I hope that Members across the House will back those calling for that.

13:43:00

Stewart Hosie (Dundee East) (SNP)

This is clearly an important debate, as evidenced by the testimonies that many Members have from their constituencies about RBS GRG. But it goes far wider than that, because RBS was not alone in facing allegations of mis-selling, of treating companies badly at the height of the banking crisis, and of poor redress since. I am sure that many Members will have had cases of Clydesdale's tailored business loan mis-selling, where redress has not yet been made and constituents may have lost their homes, businesses and livelihoods as a result. It is also the case—this adds to our frustrations and those of our constituents—that some products were regulated and others were not, and that some

customers were deemed to be “sophisticated investors” while others were not. In short, there was an opaque regulatory environment that may have been sufficient in the good times, but most certainly was not when the money ran out and the banks were at their most stressed.

All the banks came under scrutiny, but much of the focus, understandably, was on RBS because it had such a large market share; because, by some measures, it was the largest bank in the world; and, not least, because of the allegations surrounding the treatment of businesses after they entered the bank’s GRG. I will not describe the genesis of the products that people bought, as the hon. Member for Norwich South (Clive Lewis) did that well. I simply say that, when businesses wished to extract themselves, sometimes their only way of escape was to pay substantial sums, larger than any capital ever borrowed, but as they were distressed themselves as the economy downturned, that was not possible, and so, in the case of RBS, they went to GRG. One would have thought, as many have said, that this was to help businesses to recover, but few did. To be fair, some of those businesses are likely to have failed anyway, while others were potentially viable, and referral to GRG may have caused some difficulties. But the key point is that some definitely experienced actions that were likely to have resulted in material financial distress.

One of the many reasons this was able to happen is that in some cases commercial lending was not regulated. To be fair to RBS, it did work with the FCA and it has implemented the complaints review. It also trained the team under Sir William Blackburne, who was honest in saying that outcomes were not being delivered quickly. However, all that remedial work, some of which was very good, is undermined by the swirling belief that refuses to go away that businesses referred to GRG were cash-poor but asset-rich, and artificial default events were engineered. In short, the businesses were asset-stripped.

These allegations are made all the more persuasive by the fact that, as we now know, GRG had a commercial objective and was part of “project dash for cash”; and by what we have seen since the Treasury Committee published the “Just Hit Budget!” memo and the memo from 2008-09.

I fully support the motion. I want to end because time is short. The memo from RBS GRG said that a customer should transfer to GRG if a significant deterioration in any aspect of their activity had happened, where a breach of covenant was likely but had not happened, or where they may miss a contractual payment to anyone. So even businesses that stuck to the terms of the RBS agreement could be referred to GRG. That was completely wrong.

13:47:00

Christian Matheson (City of Chester) (Lab)

Much as I support calls for a tribunal system and an inquiry, the longer I listen to the debate, the more I believe that there has to be much greater involvement of the police in what are clearly criminal conspiracies—particularly, perhaps, in relation to agreements between valuers and the banks to drive down the values of properties. The hon. Member for Thirsk and Malton (Kevin Hollinrake) is absolutely right that while we cannot forget the personal damage done to small business owners, this is an attack on the whole of the UK economy, which is underpinned by those small businesses. It should therefore be taken seriously in criminal terms at the national level.

My constituent, Graham, had his business destroyed by Clydesdale and Yorkshire bank, which unlawfully mis-sold tailored business loans to him and to other SME customers. The selling involved widespread and systematic unlawful conduct, including making deliberately false representations to coerce customers into taking on the obligations under tailored business loans. Customers were not told about any interest rate swaps associated with or embedded into their tailored business loans, nor were they given the bank's standard terms and conditions before or at the time of entering into the TBL. There was no mention of potentially substantial early termination penalty charges—break costs—allegedly associated with such interest rate derivative products.

As a result of this mass mis-selling, customers of these banks have suffered significant financial losses. The hidden break cost liabilities asserted by the banks meant that it became virtually impossible for customers to pay off their TBL completely or to switch their borrowing to another bank, as the hon. Member for Dundee East (Stewart Hosie) said. SMEs were therefore locked-in victims, forced to continue paying interest rates as high as 6% or 7% on these loans when the base rate was reduced to 0.5%.

SMEs were subjected to various other forms of abuse, including the manipulation of property valuations mentioned previously, which resulted in alleged covenant breaches of the loan-to-value ratio on the property underpinning the loans, as well as the unlawful repossession of properties, the manipulation of overdraft facilities to exert additional pressure, the unfair imposition of inflated bank charges and the unlawful calling-in of personal guarantees. It is no wonder that so many small businesses, and the families underpinning them, have gone under in these intolerable circumstances.

From investigating Graham's case and those of other constituents, I, like other hon. Members, am absolutely clear that the Financial Ombudsman Service is not fit for purpose, perhaps because it lacks the skills to understand these very complicated financial instruments, perhaps because it is under-resourced, or perhaps because it lacks the political will and is too close to the banks. It could also be—the Minister may want to consider this—that the legislative regime under which it operates is not sufficient and that it does not have sufficient scope.

I have one final point to make. This scandal has been compared to the PPI scandal, but I think it is in a league way beyond it. Adding extra money to somebody's payment protection insurance and then skimming some off the top is one thing, but deliberately driving down, crashing and destroying somebody's business, to which they and often their families have dedicated their lives, is in a league beyond anything we can comprehend. I return to the point I started with: this is criminality and it should be dealt with as such.

13:51:00

Patrick Grady (Glasgow North) (SNP)

I join others in congratulating the hon. Member for Norwich South (Clive Lewis) on securing this debate and in thanking the Backbench Business Committee for granting time for it, especially after a debate on the subject was cancelled before Christmas. It is clear from the contributions today that we could easily have filled a whole six hours, there is so much going on. I think it started for all of us

with individual constituents coming to us, and we began to realise that this issue extends across the entire country.

One of the key questions, or perhaps the key question, that remains to be answered is whether the behaviour of the RBS GRG was, to paraphrase the right hon. Member for North Norfolk (Norman Lamb)—I hope this is not unparliamentary language—a cock-up or a conspiracy. Either way, the decision to seize and strip the assets of thousands of small businesses across the country has, as we have heard, caused untold misery to the owners and employees of these businesses and their families, and it seems to have caused genuine damage to the economy as a whole.

The fact that we are having this debate is a tribute to the campaigners, the various organisations that have raised awareness with their MPs and the work of the all-party group on fair business banking. Those campaigners include one of my constituents, Mr Neil Mitchell, who I know is watching this debate very closely. We have heard many powerful testimonies from constituents, and I want to share some of my constituent's experiences.

Neil was the chief executive of Torex Retail. He alleges that the RBS Global Restructuring Group "conspired by unlawful means" with Cerberus, a private equity fund in America, to engineer the sale of Torex to Cerberus for a cut-price £204 million in June 2007, which is more than 10 years ago. He alleges "systematic institutionalised fraud" by the RBS GRG in relation to its dealings, which have cost him his business, and time and money afterwards in his campaign for justice. Although I, like many Members, have been able to table parliamentary questions, speak in debates, and write to and meet Ministers, Mr Mitchell has faced the burden of this case. While he is rightly seeking restitution of his own losses, his greater motivation has been to support other affected businesses in seeking justice, and the establishment of a system that will mean that this kind of scandal can never happen again.

All Mr Mitchell really wanted was a meeting with the chief exec of RBS, and I wonder how much grief might have been avoided if RBS had been willing to meet constituents and business owners much earlier in the game. Instead, Mr Mitchell commenced private legal action against RBS, Cerberus and KPMG; he reported his case to the Serious Fraud Office and the FCA, launched a civil legal action against the companies involved and financed a private criminal investigation with a view towards a private criminal prosecution. He has also played a part in the "ripped off" campaign. I pay tribute to his dogged determination and that of many other campaigners.

There are some key questions that the Government need to answer, and which we perhaps all need to reflect on. First and most important, in whose interests were the decisions of the RBS GRG to force these businesses into default? Who has the beneficial interest in businesses that were secured borrowers being forced into default? Whether for an individual or a business, what is the primary objective of engineering the deliberate default and stripping of assets of businesses that potentially have long-term viability? Many of these businesses were stripped of fixed assets that realised capital for a state-owned bank, and individuals were forced out to the labour market, with all the cost to the state and loss to the economy that unemployment brings.

I thoroughly agree with all the calls for a dispute resolution mechanism and, indeed, for a public inquiry into the actions of GRG. Every victim of mis-selling should be given fair and equal opportunity

to receive justice. Banks have to fulfil their duty to have the public interest at their heart, and that has to be put at the heart of banking culture in the United Kingdom.

13:55:00

Jim Fitzpatrick (Poplar and Limehouse) (Lab)

I congratulate my hon. Friend the Member for Norwich South (Clive Lewis) on securing the debate with the right hon. Member for North Norfolk (Norman Lamb), and on his excellent opening speech. He set a high bar, and his speech has been consistently matched by speaker after speaker in this debate.

I wish to raise the case of my constituent Ms Julia Davey, who ran two successful businesses, Angelic Interiors Ltd and Angel Group Ltd. I wish to place on the record my thanks to her barrister, Mr Simon Reevell, who represented Dewsbury in this House from 2010 to 2015, for his extensive briefing and assistance. In short, as at 30 April 2008, Angelic Interiors had fixed assets of over £30 million, with shareholder funds of £6 million; it was placed into administration in July 2016. At the same time, Angel Group had fixed assets of over £100 million, with shareholder funds of over £60 million; four years later it, too, would be placed into administration and then liquidated in 2015. Ms Davey has, by her calculations, personally lost over £6 million.

From the House of Commons Library briefing, it is clear that the focus of the Global Restructuring Group of the Royal Bank of Scotland was in many cases to liquidate companies, rather than to support them. The main charge is that it promoted the realisation of assets over other outcomes, and that there was no attempt to rescue them.

Mr Reevell's brief says that the Tomlinson report makes it clear that RBS used its Global Restructuring Group artificially to distress the businesses of a significant number of its customers. Accounts were moved to GRG and customers were then charged exorbitant fees and/or forced to relinquish control of their businesses. The method used within Lloyds Banking Group's London and south east impaired assets department was to compel customers to accept the involvement of what they were given to understand was a turnaround company. Very high fees were levied for this service and the "turnaround" company gradually gained control of the business and misappropriated its income before appropriating and/or disposing of its assets.

Lloyds' business support unit based in the City used a similar method in respect of Ms Davey, and her business. In 2009, her account was transferred from Leeds to the BSU without her knowledge. In September 2011, Ms Davey was told that she must retain the services of a third-party turnaround company, Baronsmead Consultancy. She was obliged to pay the fees charged by that firm, which were in excess of £644,000 for some 10 months' work. The total taken from Ms Davey in costs and fees during the period that her business was in the BSU was in excess of £6 million. She believed that the turnaround company was working for her and was, in conjunction with the bank, aiming to return her business to mainstream banking. She would still believe that to have been the aim, but for information provided to her by a whistleblower inside the turnaround company, who was appalled that while the so-called turnaround company was purporting to assist Ms Davey, it was

actually colluding with the bank to put the business into administration. At a time when the BSU had already decided to close down Ms Davey's business, it was taking millions of pounds from her on the pretence that the business was to be turned around. This was not only deceitful, but wrong, and I would have thought criminal.

Part of the motion says that this House

“believes that this indicates a systemic failure to effectively protect businesses, which has resulted in financial scandals costing tens of billions of pounds”.

The losses include those of my constituent Ms Davey. She is still waiting for justice, and I look forward to the Minister telling me how she will secure it.

13:59:00

Chris Elmore (Ogmore) (Lab)

I thank my hon. Friend the Member for Norwich South (Clive Lewis), and members of the all-party group, for securing this vital debate.

Small and medium-sized enterprises form the backbone of our economy as well as our communities. The banking industry exists to support them, but the widespread malpractice that plagues the sector has shown that the banks fail those responsibilities catastrophically. Members have given details of the shameful behaviour of RBS, but as has been shown today, such behaviour is not exclusive to that bank.

One constituent of mine—a customer of Lloyds— has lost millions as a consequence of such immoral practices. Mr Alun Richards, who is in the public Gallery today, was once the owner of an extensive farming and property business in west Wales. He became a customer of Lloyds which, after a period of time, decided suddenly and without warning to transfer his account to the Lloyds recoveries unit in Bristol. After Lloyds made that decision, Mr Richards was soon left with nothing. He lost millions of pounds, and the bank took away all his assets, including his home. The manner in which it did so was inappropriate, irresponsible, and without any real explanation. There was little to no support available to Mr Richards, or any attempt to save the business. The solicitors, TLT of Bristol, acting on behalf of Lloyds bank, did so with intimidation and disrespect. Indeed, one Lloyds representative who met Mr Richards was not a Lloyds employee but on the payroll of chartered surveyors Alder King.

In the years that followed, Mr Richards raised complaints with the Royal Institution of Chartered Surveyors about the behaviour of Alder King, as well as with the Solicitors Regulation Authority regarding the behaviour of the solicitors involved. Each of the two regulatory bodies did little to nothing to investigate the situation. I have received many letters from both organisations, and to say that their responses have been half-baked would be an understatement.

Considerable attention has been paid to this issue in the House, including several Westminster Hall debates, and the beginnings of a sitting by the Business, Energy and Industrial Strategy Committee,

during which the share price of Lloyds Banking Group dropped. Perhaps this debate will make Lloyds listen and realise that Members of Parliament are going nowhere, and neither are our constituents.

Such mistreatment of SMEs by the banking sector is a stain on the industry, and it is immoral, unjustified, and—unfortunately—widespread. I hope that after this debate, the Government will give due consideration to the atrocious behaviour by Lloyds, Alder King, and regulatory bodies such as RICS and the Solicitors Regulation Authority. Such regulatory bodies are there to deal with complaints, but they have utterly failed.

I am grateful that the Chair of the Treasury Committee spoke in this debate and said that she is in favour of some additional work on this issue. As I have told her, I am now composing a cross-party letter that will go to that Committee and call for a fuller and wider inquiry into the malpractices of the banking sector. This issue goes far beyond just one or two banks, and the system must be better regulated to prevent such behaviour. I hope that the Government will use the examples presented in this debate as evidence to do that, and I fully support the motion and the need for a tribunal service.

In the 30 seconds remaining to me I will also try to speak on behalf of my hon. Friend the Member for Cardiff West (Kevin Brennan). He is unable to attend this debate as he has a diary clash, and he apologises that he cannot be here. His constituents have suffered losses as the results of the practices of Lloyds bank and the receiver Alder King. He points out that the experiences of his constituents are similar to those related by hon. Members in previous debates, and they involve conflicts of interests, actions by banks that damage rather than support local businesses, and an unhealthy culture that leads to unethical banking practices that have bankrupted many people who trusted their bank to act in their interest.

14:03:00

Tonia Antoniazzi (Gower) (Lab)

I thank my hon. Friend the Member for Norwich South (Clive Lewis) for securing this important debate.

I was shocked when, soon after being elected, I was approached by constituents who had been affected by major banks employing such unfair and—one can say this—dishonest practices when dealing with their businesses. Although this debate is nominally about the practices of RBS, all the evidence I have seen shows that it is a widespread problem, and that financial institutions are preying on businesses that have been given little, if any, protection from regulators or the criminal justice system. The financial institutions perpetrating these practices are in such a position of power that the Government must look at rebalancing the situation.

For many people, running their own business is not like having a job; it becomes more like part of the family. These are businesses that people have inherited from their families or built up from a small idea, and for many business owners they mean everything. Like others who have spoken in this debate, I too have constituents who have had their businesses destroyed after a lifetime of work. They have lost their homes and had their families torn apart; they have lost their health and their future, and they have been living a hand-to-mouth existence, just so that some banker can receive an obscene bonus.

My constituent, Peter Way—he is here today in the public Gallery—had his prestigious business, which employed more than 500 people, taken away by Bibby Financial Services, which is no stranger to this type of skulduggery. Bibby put my constituent under such undue financial pressure with no warning that it destroyed not only his business, but nearly his life. Such things have taken place right across the asset financial sector, and on an industrial scale, by the majority—if not all—the asset finance companies.

Another constituent, Bryan Evans, had a business called EP Leisure, and he has also been the victim of unscrupulous practices by financial institutions. Barclays bank employed a firm of valuers called Lambert Smith Hampton. It vastly devalued the land owned by EP Leisure, which put undue pressure on Mr Evans's business. Following reports back to Barclays, the bank decided that EP Leisure was no longer a profitable investment, and the very same company that devalued the land was called in to become receivers for EP Leisure's land. That matter is the subject of an ongoing police investigation, and despite continued inquiries from Mr Evans, my predecessor, and even his predecessor, we are no further forward in getting justice for Mr Evans.

Why are we not getting that justice? We are not getting it because business banking remains an unregulated activity. Financial service providers can wait out many people who will eventually run out of money, time, or indeed sanity. There is no equity in legal representation—big banks have big expensive lawyers on their side, and there is literally nowhere for people to turn when such things happen to them.

What can the Government do to stop this scandal from hitting our SMEs? We need the rapid establishment of an independent, external service, such as the financial services tribunal system suggested in the motion. Today we have heard one shining example of a committed police force that acted against HBOS and secured convictions for fraud, but we need that to be the norm and not a one-off. SMEs provide the backbone of our economy. My constituents, and everyone who sets up a business and puts hours of dedication and hard work into it, deserves protection from underhand practices. I call on the Government to act to bring such practices to an end.

14:07:00

Kate Green (Stretford and Urmston) (Lab)

If we did not think before that there was a systemic crisis in banking, this debate has confirmed that there is.

The actions of the Global Restructuring Group have impacted on businesses and jobs in my constituency. I do not want to speak today about RBS's past mistreatment of its customers; instead I will concentrate on the way that the bank continues, today, to behave towards the businesses it has damaged. Some businesses seeking redress from RBS may be able to access the compensation scheme that the bank announced last year, but for those unable to pursue that route, the only course is legal action.

It is pretty shocking to watch the extraordinarily aggressive approach that the bank is taking to litigation. Costs are escalated to such an extent that all but the richest litigants are unable to pursue their cases. Satellite litigation is launched against claimants' funders, lawyers, and other third

parties. Perhaps most shamefully of all, the bank has repeatedly been criticised for failing to provide full and frank disclosure in the courts during its defence of those claims. In 2016, in a well-publicised and ongoing dispute between Property Alliance Group, which is based in my constituency, and RBS, the bank was expressly criticised by Mrs Justice Asplin in the High Court for taking what she described as a “cavalier” attitude to disclosure. Last week, with the case now heading to the Court of Appeal, the court was again forced to order RBS to hand over more documents—clearly the bank has paid no heed to demands for disclosure. That is not an isolated case. LEXLAW has detailed other cases where RBS failed to provide full disclosure to the court and the claimant. That is clearly not how litigation should be conducted.

Equally, there are concerns about how the bank is operating the compensation scheme announced last year. At £400 million, the fund sounds generous, but in reality it does not come close to recognising the true extent of the harm caused to businesses or the benefit that RBS has enjoyed from GRG’s activities. The fund addresses only a limited range of GRG’s misconduct and is available only to a fraction of the businesses that suffered. Research carried out by Property Alliance Group suggests that the real size of RBS’s compensation scheme should be at least 10 times its current scale—closer to £4 billion than £400 million—and that is because one of GRG’s most heavily criticised practices was the process by which the bank bullied customers into giving away equity stakes in their business in return for its continued support. These so-called upside instruments have been criticised widely but were profitable, and if we look at the balance sheets and reports and accounts of the RBS subsidiary that managed the assets, SIG Holdings, we can see that the bank profited to the tune of £400 million from these practices. As will be immediately apparent, that £400 million, from just one area of the bank’s misconduct, equates to RBS’s entire compensation scheme, which covers all areas of misconduct.

What is more, the accounts of SIG Holdings for the year ending 2016 show that the bank set aside just over £40 million in practice for the costs associated with the complaints process and the automatic refund of complex fees to customers. Andrew Bailey, the chief executive of the FCA, told the Treasury Select Committee last October that RBS had paid or made offers of about £115 million, which is well short of the £400 million fund, and neither is it clear that the money has been either paid or accepted by claimants.

In conclusion, this debate does not just concern RBS’s past actions; it continues to do all it can to avoid its responsibilities. Far from rebuilding trust, the bank continues to treat its customers with disdain, both in the courts and in the operation of its compensation scheme.

14:11:00

Christine Jardine (Edinburgh West) (LD)

I congratulate my right hon. Friend the Member for North Norfolk (Norman Lamb) on securing this debate on a subject that has cost so many of our constituents so much. Public dissatisfaction with the conduct and running of our banking sector has been one of the dominant themes of the past decade, much of it prompted by the behaviour and management of RBS which, as the hon. Member for Stirling (Stephen Kerr) pointed out, is in the news again this week with regard to bank closures.

We should remember, however, that there is a wider issue. What we have is the banking system's systemic failure to protect its own customers. We must not underestimate the impact on those customers, each of whom is an individual—a business person—with a family. Owners of SMEs have found that they are the victims of this systemic failure that has cost them their businesses and, in some cases, their homes. I have a constituent who has been pursuing a case for 10 years. Following a review by the FCA, he been awarded compensation, but he does not believe that that compensation takes into account the consequential losses of his business and property, and the costs of having to arrange another loan. He estimates that he is now more than £1 million worse off than before he went into business with this national bank.

In the decade in which my constituent has pursued his complaint, I am his third Member of Parliament to whom he has brought his case. We are still having to argue that the system is wrong and needs to be changed. His is typical of businesses caught in a trap without fair protection in law. For businesses that want to challenge a bank in court, the process is slow and expensive, and if they lose, they will have legal costs to pay on top of what the original problem might already have cost them. Where is the incentive for the banks to avoid malpractice and obey the law if they know they cannot be challenged because their victims cannot afford to take them to court?

That is exactly that situation that many of our constituents have found themselves in. They want their day in court, or at least the opportunity for a legal process to decide what is fair. Yes, we have the financial ombudsman, but that can only arrange fair and reasonable settlements as it sees it. What about those who feel—rightly or wrongly—that they deserve better than that fair and reasonable settlement and that the ombudsman's view falls short? That is why I believe we need a tribunal system that will allow the many SMEs that have been mis-sold to and mistreated—some would say cheated—by the big banks the chance to feel that the system can protect them. The process would be cheaper and less formal, and complainants would not need a lawyer. We know that such a process works in other places.

The system has failed. It allowed malpractice that cost hard-working individuals their businesses and homes. This is an injustice that we have an opportunity—indeed, a duty—to address, and I ask the House to support the motion.

14:15:00

Jim Shannon (Strangford) (DUP)

I thank the hon. Member for Norwich South (Clive Lewis) for securing this debate and all right hon. and hon. Members who have spoken. We have heard significant contributions and good personal stories although, unfortunately, some were very hard to listen to.

In Northern Ireland, SMEs account for 75% of employment, 75% of turnover and 81% of gross value added. The private sector has clearly taken us away from the past, and it is important that we do so. I have written to the FCA, and Andrew Bailey in particular, outlining the case for UK SMEs. I am reminded that the former Chair of the Treasury Committee referred to HBOS as the second-worst failure in British banking history—it was beaten, of course, by RBS. In our correspondence, Mr Bailey made a couple of relevant points. The only planned action to which his reply referred was that the FCA expected to issue a consultation on the expanded role of the Financial Ombudsman Service in

undertaking more disputed cases with banks. As of last Friday, however, nothing had happened, so everyone is dragging their heels, and the FCA board seems to have no suggestions or comments to make. I respectfully ask the Minister and Her Majesty's Government what action they would consider taking to further support SMEs.

I am aware from my right hon. Friend the Member for East Antrim (Sammy Wilson) that the all-party group on fair business banking proposes an independent tribunal system, which is good news. I am also aware that a freedom of information request has shown that since July 2015, the FOS has considered some 633 mis-selling complaints from micro-enterprises regarding fixed-rate commercial loans and mortgages. Some 21 were upheld with awards of greater than £75,000, and some recommendations were for as much as £150,000, but are the successful complainant businesses actually receiving from the bank the money recommended above the current statutory award? I can say now that some of my constituents have not. It is absolutely disgraceful that while their complaints have been upheld, the moneys are still lingering somewhere other than where they should be—with the complainants.

In the short time I have, I want to illustrate my point with the case of a large family dairy farm in Northern Ireland. It took out a £1 million loan with Danske Bank on the day of the highest LIBOR rate, on 1 October 2008, and since the day of £1 million loan drawdown on 22 January 2009, the farm has paid almost £500,000 in capital and—wait till you hear this one—£535,000 in interest, including another £62,000 because it moved to another bank. That bank has really screwed them, if I can use that word. I do not know if it is unparliamentary language and I apologise if it is, but that is how I feel. The Democratic Unionist party is watching how the FOS process handles this mis-selling case.

There are lots of other cases as well. Another bank that has treated small businesses in Strangford with disdain is the Ulster Bank. It has “restructured” its loans—that is its way of describing what appear to be deliberate destabilising assaults on small businesses. How do we quantify compensation for lost opportunities? The fact is we cannot. Small businesses have gone under, drowning as they watch the Government bailing out bankers. I call for the return of the old-fashioned code of truth, honesty, fairness, common decency, integrity and transparency throughout the whole banking industry. I call for the return of the bank manager who actually knows people, rather than glancing at an online profile. It is time that we did our best for our people.

14:19:00

Martin Whitfield (East Lothian) (Lab)

It is a pleasure to follow the hon. Member for Strangford (Jim Shannon). I thank the Backbench Business Committee for granting the debate, and my hon. Friend the Member for Norwich South (Clive Lewis) and the right hon. Member for North Norfolk (Norman Lamb) for securing it.

This afternoon, we have heard about horrendous and nightmare cases, and I do not intend to add to those, because every Member of the House will have had through their constituency doors businesses and individuals who have suffered at the hands of the banks. We have also heard this afternoon that this is about not just one bank but many banks—it may, indeed, be every bank. To

pick up on a comment made by my hon. Friend the Member for Norwich South, this is about conduct. It is about the deliberate choices the banks have made to facilitate profit for some.

When constituents and businesses come through our doors, they are coming to their MP as a last resort. I ask how many individuals and businesses gave up along the way, when it became just too hard to pursue what really was a battle against a giant. I raise that question because the banks' conduct is one of the indications our communities and constituents take on board as they judge our banks and our banking system. The conduct we have heard about this afternoon—it has been around too long—is severely damaging the fundamental reputation of our banking system.

I had the honour of leading a Westminster Hall debate on 11 January during which we looked at banks' responsibility towards communities. Today's debate, which has explored the conduct of the banks, has shown how society's trust in our banks is very much at a crossroads. I will be very interested to hear the Minister's views about how we can start to rebuild that trust in a fundamental part of business. We need the banks, but we must remember, and the banks must remember, that they need our communities as well.

We are looking for answers about transparency and about honesty. I want an answer on banks' willingness to see imaginative answers to the problems they are confronted with, and I echo the call for a tribunal system. I would also raise the question of fair funding. As the economy becomes more complex, and as our communities and SMEs start to lose confidence in banks, or that confidence is at a crossroads, they are starting to look to other areas for funding. That is another major issue coming this way. I call on the Minister to seriously consider facilitating roundtable discussions on the question of banks' responsibility to communities, our SMEs and those people who have supported the banks for so long.

14:22:00

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP)

I also commend the hon. Member for Norwich South (Clive Lewis) for bringing this important debate here today. He started by talking about people's incredulity that any bank could act in this way, and we have heard from hon. and right hon. Members from all parts of this House about how these things have impacted on people. As the hon. Member for Edinburgh West (Christine Jardine) said, families have suffered. That is the background to this; it is not just businesses that have suffered. People have lost businesses, lost incomes and lost homes. We have seen the break-up of marriages and mental health impacts. Grimly, as we heard from the Treasury Committee memo, the view was that customers could just hang themselves, and there is testimony of people attempting suicide. It is shocking stuff.

Some of those affected feel responsible for losing their family businesses and feel deep shame at that happening. These things have devastated people, many of whom, as we have heard today, had good businesses that were ready to contribute to the economy and to aid productivity. Earlier, the hon. Member for West Bromwich West (Mr Bailey) described GRG as death row, and it was for some.

When people tried to fight these injustices, they would face enormous financial costs. I understand that it cost £10,000 just to raise an action, which was beyond the capability of many people in those circumstances. Businesses with as few as 10 employees have been affected. This issue has had an enormously wide reach. If people could look to take forward legal action, they would find that the banks had sewn up all the solicitors in the area, making it impossible to get the correct level of representation.

As we have heard from Members on both sides of the Chamber—and the SNP feels just as strongly about this—we need to see justice for people. Those on the Government Front Bench should have heard loud and clear today the strength of feeling from all parts of this Chamber and beyond. People will be shocked and disappointed that these things have been allowed to happen. It is unacceptable that banks have devastated firms, spreading misery by making people bankrupt and homeless.

The FCA's final summary of the Promontory report exposes a set of serious failures by RBS to protect companies it should have been serving. As the evidence mounts, so too does the responsibility to act.

The Economic Secretary to the Treasury (John Glen)

indicated assent.

Drew Hendry

I am glad to see the Minister nodding and that he seems to be willing to take this forward. I hope that substantial action is taken.

We in the SNP believe that the current system of dealings with the regulator and the litigation process on mis-selling is inadequate. It must be a priority for the Government to ensure that every victim of mis-selling is given fair and equal access so that they can see justice done. As the hon. Member for Stirling (Stephen Kerr) mentioned, an independent body is required. We call on the Minister to commit to and create a permanent commercial financial dispute resolution platform to serve the victims of mis-selling. He must pick up where the FCA has failed and produce a comprehensive review of banking culture to avoid a repeat of these things.

In the aftermath of the financial crisis, when all banks were required to rebuild their capital, it was alleged that the main focus of the Global Restructuring Group was to liquidate, rather than support, businesses through further lending. The main charge against GRG is that it prioritised the realisation of assets over other, more business customer-supportive actions. Recently, we have also heard accusations of the mis-selling of rate swaps, and GRG is not alone in drawing criticism. As my hon. Friend the Member for Dundee East (Stewart Hosie) mentioned, SMEs have complained about tailored business loans sold by the Clydesdale Bank.

The Tomlinson report was damning of GRG. Much of the evidence pointed to businesses that were otherwise perfectly viable in the medium to long term, as we have heard in much of the testimony today, being moved into the RBS turnaround division—the GRG—and being trapped there, with no

escape. Businesses were sunk by the bank, with the bank taking out all it could, beyond what was reasonable, and to such an extent that it directly contributed to the businesses' financial deterioration and, in some cases, collapse. Technical breaches were used as excuses. There was evidence in some instances of covenants being used to put businesses in default and to transfer them out of local management.

Time does not allow me to go further into some of the details of the inequities that have been visited on people who have suffered at the hands of GRG and as a result of the unfair business banking practices we have heard about today. The Government must ensure that there is a firm mechanism that is fair for people, so that they can get justice in this case. I look forward to hearing what the Minister will tell us at the end of this debate.

14:28:00

Bill Esterson (Sefton Central) (Lab)

I hope the Government will listen to the overwhelming case that has been well made on both sides of the House—including by speaker after speaker on the Government Back Benches—for action on behalf of small businesses in our constituencies.

We started with a powerful speech from my hon. Friend the Member for Norwich South (Clive Lewis), and I commend him and the all-party parliamentary group on fair business banking and finance for bringing this issue forward. I also thank all Members who have taken part in the debate and particularly my hon. Friend the Member for Cardiff Central (Jo Stevens), my right hon. Friend the Member for Tynemouth (Mr Campbell) and my hon. Friends the Members for West Bromwich West (Mr Bailey), for Bridgend (Mrs Moon), for Manchester, Withington (Jeff Smith), for Vale of Clwyd (Chris Ruane), for Rutherglen and Hamilton West (Ged Killen), for City of Chester (Christian Matheson), for Poplar and Limehouse (Jim Fitzpatrick), for Ogmore (Chris Elmore), for Gower (Tonia Antoniazzi), for Stretford and Urmston (Kate Green) and for East Lothian (Martin Whitfield).

When Carillion went bust at the start of the week, it struck me that there were similarities with the way that RBS treated its small business customers. In both cases, smaller businesses—Carillion's suppliers and RBS customers—have been imperilled by the actions of much larger players. I know of at least one business that, having been put into GRG, is still in the successor division, years later, and as of this week is owed tens of thousands by Carillion that it is never going to receive. It is not good enough. The mistreatment of smaller firms must stop.

The news that banks are to provide additional support for Carillion's suppliers is of course welcome, but this must not be just a short-term, headline-grabbing announcement. It must mean longer-term support, of the sort that was sorely lacking in RBS GRG and of the kind that was put in place by the Labour Government to support suppliers with the creation of the taskforce following the collapse of Rover in 2005. That is a good example for Ministers to follow.

What happened at RBS GRG was nothing short of a scandal and a disaster for the victims. Businesses were ruined, families were torn apart and people took their own lives. My hon. Friend the Member for Cardiff Central reminded us of the criminal convictions at Lloyds HBOS. There are many—some

mentioned it today—who believe criminal investigations to be the appropriate way forward at RBS GRG. Justice is a vital step in the long process of rebuilding trust in business lending, which in 2016 was still so low that only 9% of smaller firms approached their bank to borrow money—and they did not all borrow. It is crucial to the success of our economy that there is a healthy relationship between the banks and smaller firms. We need our smaller firms to play their full part in contributing to the prosperity of this country. Relationships of trust are crucial.

The next Labour Government will introduce a network of regional development banks to support smaller firms, but those firms also need the help of the traditional banking sector and they need it now. Let us remember that, according to the Promontory report, 83% of businesses that were put into GRG were the subject of inappropriate treatment. Two thirds of businesses were viable, yet depending on which figures we look at, only 5% or 10% survived the process. The figure for inappropriate treatment of those who were potentially viable is higher, at 92%.

According to the then head of global markets, RBS decided to exit non-core markets. In practice, that meant getting businesses off its books as fast as possible, not by telling its business customers so that they could move to a new bank, but by putting them into intensive care—or rather, a slaughterhouse or mortuary, or on death row, to borrow the phrases used by my hon. Friends—charging exorbitant fees, using their own valuations, and using interest rate-hedging products. Then there was the freezing of personal bank accounts, something that happened to my constituent, John Pile. Mr Pile had never previously missed a mortgage payment on his commercial properties, yet the result for him and his family was the bank claiming that he had defaulted, despite having substantial sums of money in his personal account, which was frozen. He could have used that money, but was prevented from doing so by the same bank.

Customers who were making decent profits, whose rental incomes were well in excess of their interest payments, were put into GRG on the spurious grounds that their loan-to-values had suddenly dropped, on the basis of revaluations carried out by the bank's own valuers. Then there was the overnight demand of repayment of overdrafts that were a key part of the day-to-day operations of many businesses. This was not proper turnaround practice—it was not turnaround practice at all for the customers. It was more like the turnaround of the bank at the expense of its customers. Perhaps the name, Global Restructuring Group, was a clue. It was a division responsible for the restructuring of the bank, not the small businesses that banked there.

Which brings me to the call for a full independent inquiry. Promontory carried out part one of its investigation for the Financial Conduct Authority. RBS does not want the report published, although much of it is now in the public domain, but nor does RBS want Promontory to carry out part two. Instead of sticking to its guns, the FCA has complied with the demands of the bank that it is supposed to regulate and gone for the in-house option. The suspicion will remain that such an approach means a lack of independence on RBS by its regulator. We know that the FCA is afraid of legal action if it publishes part one of the Promontory report because it told the Treasury Committee that, but it will simply not help to rebuild trust if the regulator is in fear of a bank and feels restricted in its ability to provide full oversight.

There are still many questions to be answered. Why were viable business customers put into GRG? At Ulster Bank, a substantial part of its business was deemed non-core and its customers were nearly all put into GRG. Meanwhile, there are disturbing parallels at other banks, affecting Dunbar Bank business customers and Acorn Finance, and we also heard about Bibby. They all tell a similar story to the RBS GRG story. Why did RBS not tell its customers when they were no longer core business and give them the chance to move to other banks? Who in management knew? Where was the oversight in the Treasury? Promontory says that management knew, so when will those responsible be held accountable? Why did GRG not follow turnaround procedures? This all needs to be in the public domain and properly acknowledged.

Until those questions are answered and those responsible held accountable, the victims will be denied justice, we will remain at 9% of smaller businesses asking their banks about borrowing money, and investment, productivity and prosperity will all be undermined. As my hon. Friend the Member for Norwich South says in the motion, the call, which has been well evidenced today, is for a robust system of dispute resolution. It is needed to overcome the imbalance of power in the relationship between smaller firms and their banks. That is also why the call for an inquiry into the treatment of SMEs by financial institutions and the protections afforded to them is the right call. And yes, it should look at all banks, not just RBS. No one else can intervene and ensure fair treatment. The regulator has had to restrict its activities under RBS pressure. Unless and until the Government intervene, this injustice and the long-term economic effects will continue to hold back a crucial part of our economy.

The issue of how RBS GRG treated its smaller business customers will not go away. The victims will not go away. Those of us across the House who want to see justice will not go away. The Government must now ensure that justice is done and seen to be done.

14:37:00

The Economic Secretary to the Treasury (John Glen)

It is a privilege to stand at the Dispatch Box in my new role as Economic Secretary to the Treasury. I think we all feel the privilege of being Members of this House, but listening to today's debate I also feel a great responsibility—to respond fully to the many serious examples that have been given of how the banking sector, and this group in particular, has failed so many of our constituents. I want to make it clear that in doing this job and in addressing the issues that have been raised today, I will stop at nothing in making improvements.

I begin by thanking the hon. Member for Norwich South (Clive Lewis) and the right hon. Member for North Norfolk (Norman Lamb) for initiating the debate, and the Backbench Business Committee for granting it. I also thank my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) for his work in the all-party parliamentary group on fair business banking.

What we all care about—it has been made very clear in today's debate—is that businesses form the lifeblood of our economy and they need a reliable mechanism to deal with disputes with banks. I am vividly aware of that, because I grew up not in a bank but in a small business. I know the risks, the anxieties, the sleepless nights, the pressures on family life and the lack of assurance over salary, so I understand that the experiences of small businesses and their relationships with banks really matter.

The Government have always maintained a commitment to support and engage with businesses both small and large, and that commitment will continue unfettered.

The Government recognise that access to finance, which is the crux of the debate, is necessary for businesses to grow organically. We have a strong record of supporting businesses large and small, for instance, through measures in the Budget. The competitive tax regime—corporation tax was cut from 28% to 19%, the lowest rate in the G20—is a significant part of that, but what is really important is that businesses have access to money at a reasonable cost, with reasonable assurances on the terms of securing those funds.

A fantastic range of evidence has been presented to us today. We heard about Mr Smith's engineering business in Bridgend and Mr Topping's business in Hazel Grove. We heard vivid personal testimony from my hon. Friend the Member for Dumfries and Galloway (Mr Jack). My hon. Friend the Member for Thirsk and Malton gave the striking example of a monthly interest rate payment that rose, almost inexplicably, from £6,000 to £17,000 a month, leading to catastrophic losses. The hon. Member for Rutherglen and Hamilton West (Ged Killen) gave examples that went back eight years. There were further examples from the hon. Member for City of Chester (Christian Matheson) and my hon. Friend the Member for Stirling (Stephen Kerr), the hon. Member for Glasgow North (Patrick Grady), who spoke about Mr Mitchell, the hon. Member for Poplar and Limehouse (Jim Fitzpatrick), and the hon. Member for Ogmore (Chris Elmore), who mentioned Mr Richards. In those cases, tortuous processes were necessary to secure redress or a meaningful dialogue leading to an outcome. My hon. Friend the Member for Eastleigh (Mims Davies) has told me about the Sayers family, who have also suffered. We heard further powerful testimony from the hon. Member for Strangford (Jim Shannon), who used uncharacteristically strong language—legitimately so.

I too have been contacted by constituents and I have been saddened to hear the stories of many former RBS customers. The Financial Conduct Authority is reviewing the situation; it has said that it is considering the matters arising from the report it commissioned and considering whether there is any basis for further action within its powers. It would not be appropriate for me to comment further at this precise time, but I will say that although, on day seven of my job, I have not yet met the head of the FCA, this will be the first topic that I will be raising with him.

Bob Stewart

Will the Minister give way?

John Glen

I do not want to give way too many times, but I will give way to my hon. Friend.

Bob Stewart

First, I congratulate the Prime Minister on having the extremely good sense to appoint such a wonderful new Minister—a great friend, and someone who is really going to sort this problem out. May I ask on behalf of everyone present for the Government to be onside to ensure that the people who have lost so much are recompensed properly? We are not talking just about the future; we are talking about dealing with the past.

John Glen

I thank my hon. Friend for his kind words. Of course we need to reach a stage where we have some answers. We need to know what went wrong, and we need to secure an outcome that is acceptable to our constituents.

It is important to recognise the fundamental need for financial providers to act in accordance with the rules of the FCA and the spirit of its principles. When they do not act in accordance with those principles, we need to have confidence in the mechanisms that exist to resolve disputes.

Norman Lamb

The Minister has not yet mentioned the role of whistleblowers. Does he agree that they are vital to maintaining the integrity of the financial system, that they need proper protection—an office of the whistleblower—and that they should be rewarded for being brave enough to reveal wrongdoing?

John Glen

I listened very carefully to the right hon. Gentleman's remarks and he is absolutely right. We need a change to the culture to enable wrongdoing to be exposed and dealt with, and I will look very carefully at this matter and the principles in his suggestions.

I am very aware of the allegations and the powerful testimony made against RB. I have taken on board the discussions we have had today, and later I will refer to some of the other substantive points raised across the House, but I want to be clear with Members: I saw the front page of City A.M. today, whose headline is "Go Hang", and I do not condone the language in the GRG letter that RBS itself chose to release yesterday. I assure the House that the Government take these issues and any allegations of malpractice very seriously.

Nicky Morgan

Just for the record, will the Minister be very clear that RBS did not choose to release the letter; it was asked to do so, and like most other information, it has had to be dragged out of it by successive letters and attempts by Members of this House?

John Glen

I am grateful to my right hon. Friend for her intervention and acknowledge the work she is doing on the Select Committee, and it would be much more helpful to this process if RBS were more co-operative with the Committee and the legitimate process of scrutiny that she and her Committee members are seeking to undertake.

Not only do the Government take these matters seriously, but the FCA is well aware of them and continues to address this issue. As I said, it will be the first thing I raise when I meet Andrew Bailey very shortly. In October, the FCA released a detailed summary of its skilled persons report, which examined RBS's treatment of SMEs in financial difficulty. The FCA is now investigating the matters arising from the report.

I am aware of the frustration over the time the process is taking. The outcome of this investigation and the action the FCA proposes to take is critical to small businesses across this country, but I remind Members that the FCA is an independent body. That is vital to its role, credibility, authority and value to consumers, and they would be undermined if it were possible for the Government to intervene in day-to-day decision making. We can set the law, but we then must be bound by it and respect the judgment and independence of the FCA.

It would not be productive for me to address from the Dispatch Box every specific case and allegation, and I want now to turn to the wider issue of SMEs and how disputes are resolved between them and their banks.

Ian Paisley (North Antrim) (DUP)

The Minister is making a thoughtful speech. Can he assure the House that the FCA will not be a toothless bulldog and that it will actually have some bite?

John Glen

I think the FCA understands, in the light of today's debate, where the pressure is leading to and what action we will need to take if its response is not effective.

The key issue for the debate today, which I discussed with all-party group members yesterday afternoon, is that we must remember that there are already multiple avenues for resolution. I understand the frustrations Members have expressed about their effectiveness, but our smallest businesses have redress via the Financial Ombudsman Service for quick and informal resolution of disputes, the FCA has the power to take action to address issues that require resolution, and there is also the usual legal recourse available for businesses.

Jo Stevens

Will the Minister give way?

John Glen

No, I am going to make some more progress, but I might give way later.

The motion calls for an independent inquiry into the treatment of SMEs by financial institutions, reflecting the frustration addressed by Members across the House today in respect of the experience of their constituents. A number of contributions have also focused on the proposed new tribunal system to deal with financial disputes between banks and SMEs.

As the industry, the FCA and the Treasury progress discussions on this issue, all avenues will be considered. The FCA is undertaking a review, and it launched a discussion paper on SMEs in November 2015. I feel that that is a very long time ago, so I am reassured to be able to report to the House that it will be making a statement on Monday 22 January on its 2015 SME paper and on its consultation on widening SME eligibility for the Financial Ombudsman Service. I shall look carefully at what it comes up with. The FCA has promised to consult on widening the remit of the FOS for

small businesses—the detail of that will be known—and to take a view on SMEs’ access to redress more broadly. I hope and believe that we will see significant steps forward.

I have thanked the hon. Member for Norwich South and the right hon. Member for North Norfolk for raising this issue. I also want to mention the hon. Member for Sefton Central (Bill Esterson), who mentioned Lloyds’ support for SMEs in the Carillion supply chain. I am pleased to report that it has been announced since we have been in the Chamber that Lloyds is taking the required steps to help those facing short-term problems as a result of the Carillion group going into liquidation by providing £50 million to support the SMEs affected. It is essential that the small businesses exposed to the Carillion insolvency should be given the support they need by their lenders. I was with the Business Secretary yesterday when we met representatives of the banks to explain that to them. It is in the UK’s interest that our businesses continue to prosper and thrive. That will mean allowing them ready access to finance at a serviceable cost. This is about getting the balance right, and that is what the Government are helping them to do.

I thank all hon. Members who have contributed to the debate, and I will try succinctly to summarise the Government’s position. We certainly note the many intensely painful experiences and issues raised in the motion and by hon. Members in the debate. On GRG, it is right that we should wait for the conclusion of the FCA’s investigation of the matters arising from its skilled persons report before determining what further action needs to be taken. On the broader issue of dispute resolution, I remind the House of the existing avenues that are open to businesses, but the FCA is undertaking work to look at the relationship between SMEs and financial services providers. It is also right that we await the next steps in that area. However, I assure the House that this Government will continue to support businesses large and small when addressing these challenges.

Let my final words be these: small businesses and their continued success are critical to the continued growth and improvements in productivity of our economy, and SMEs’ improved confidence in the mechanisms to achieve redress from banks is crucial. In my role in this Government, I will be doing everything I can to ensure that the injustices that have been discussed today are addressed.

14:53:00

Clive Lewis

I thank the Minister for his response, and I thank all the hon. Friends and hon. Members across the House who have taken part in this passionate debate today, whether they are self-confessed capitalists, such as the hon. Member for Hazel Grove (Mr Wragg), seeking to challenge crony capitalism or those such as my right hon. Friend the Member for Tynemouth (Mr Campbell) who are perhaps seeking more traditional socialist transitional demands. There has been almost unanimous support across the House for the motion. We want justice for our constituents and a banking system fit for the 21st century. In effect, we seek nothing less than the renewal of the broken social contract between banks and the public. Unfortunately, the language used in today’s debate has painted a picture of a social contract that lies in tatters. We have heard references to a web of deceit, a dash

for cash, systemic abuse, parasitic relationships and asset stripping. Three words that we have heard repeatedly today are “enough is enough”.

I want to make a couple of comments about the Minister’s input. He said in his opening remarks that he and his Government would stop at nothing and spoke of the need for a fundamental culture change, but he then offered little except more warm words. I understand that he has been in his job for just seven days, but this situation has been going on for some time now and the issues are out there, a point which has been made clearly by Members across the House. The Government still seem to favour a solution involving the Financial Ombudsman Service but, even with some extension of its role, it is suitable only for low-level disputes. It has no powers of disclosure. It cannot enforce decisions. It has no teeth. It cannot adjudicate. It cannot deal with complex cases.

John Glen

I fully recognise the frustration that the hon. Gentleman is expressing, but I also said that the Government rule nothing out. We will see what the proposals are and respond accordingly. I think that that is a reasonable position given the relationship between the Government and the FCA.

Clive Lewis

I acknowledge the Minister’s remarks, but time is not on the side of many people, so many of whom have been affected for so many years. I understand the Government’s reluctance to say anything today, but they must come to a conclusion quickly. From listening to Members from across the House, we understand that if we rebuild justice and confidence in our banking system, that would be good for business and good for banks and would maximise our country’s economic potential. I will conclude with the words of the late, great Errol Brown of Hot Chocolate fame—one of my favourites—because if we get this right,

“Everyone’s a winner, baby”.

Question put and agreed to.

Resolved,

That this House is deeply concerned by the treatment of small and medium-sized enterprises (SMEs) by the Global Restructuring Group of the Royal Bank of Scotland; notes that there are wider allegations of malpractice in financial services and related industries; believes that this indicates a systemic failure to effectively protect businesses, which has resulted in financial scandals costing tens of billions of pounds; further believes that a solution requires the collective and collaborative effort of regulators, Parliament and Government; and calls for an independent inquiry into the treatment of SMEs by financial institutions and the protections afforded to them, and the rapid establishment of a tribunal system to deal effectively with financial disputes involving SMEs.