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**Royal Bank of Scotland (“RBS”): Review of treatment of SME customers
by Global Restructuring Group (“GRG”)**

This is my eleventh quarterly report on my Assurance and Appeals roles in relation to the RBS GRG Complaints Process.

Overall observations on RBS’s Complaints Process

Since my last quarterly report RBS (“the Bank”) has continued to operate a robust Complaints Process that is designed to collect and carefully consider the evidence relevant to Customers’ Complaints. As I have noted in my previous reports, these Complaints are complex to assess and require considerable effort and resources to do so at scale. Despite this, RBS has maintained an appropriate level of quality at each stage of the Complaints Process, and the number of Assurance issues identified remains low relative to the overall volumes.

The Complaints Process is now closed to new Complaint submissions from both UK and Irish Customers. The overall volume of Complaints is now known to be just under 2,700. To date, the Bank has communicated its decisions to Customers in just over 85% of these Complaints, making Direct Loss offers totalling £44.6 million.

In the most recent quarter, the throughput of the Bank’s Complaints Process continued to accelerate, with the Bank issuing 395 outcome letters to Customers. This compares to 331 and 300 respectively in the previous two quarters.

The Bank has told me that it is planning to complete its assessment of the vast majority of the outstanding Complaints this year. I will, of course, continue to assure the quality of the Complaints Process until it is completed.

Assurance

My team conducts a thorough and detailed review of a sample of Complaints as they pass through each step of the RBS Complaints Process. This scrutiny is broad in scope, encompassing records of any interactions between the RBS helpdesk and the Customer, the Bank’s subsequent interpretation and formulation of the Customer’s allegations, the evidence base underpinning the assessment of the Complaint, the logic and judgement applied in arriving at a Complaint outcome, and the quality of any communications to the Customer (particularly the Bank’s outcome letters recording the conclusions reached by the Bank and its reasoning).

I assess in-sample Complaints at two levels: as they pass through each step of the process, and, more importantly, at an overall Complaint level. A Complaint may fail Assurance at one or more steps of the process, but still pass Assurance *overall* if the Complaint outcome was one that was reasonably open for RBS to reach given the specific circumstances of the case.

I intend to assure at least 170 Complaints, sufficient to ensure that I achieve a robust Assurance sample. As of the end of this quarter, I have assured 162 Complaints up to and including the critical Decision Committee step, with 151 assured to the outcome letter stage. This represents scrutiny of hundreds of individual allegations, across what amounts cumulatively to more than a thousand discrete steps.

Of the 162 Complaints assessed up to Decision Committee, 158 have passed Assurance which represents a pass rate of 98%. All four Assurance failures at the overall Complaint level were described in my earlier reports as they were detected in earlier quarters. In all four cases the Bank corrected the Customer outcomes after my team intervened.

In a further 23 of the 162 Complaints assured up to the Decision Committee step, my team has identified faults at individual steps of the Complaints Process that, left uncorrected, could have had a material impact on the overall Complaint outcome. Four of these are new since my last quarterly report.

Two of these relate to the Bank unreasonably narrowing its initial assessment of a customer's complaint – in the first instance it did not fully consider the relevant time period, and in the second it considered only the interest rates charged by GRG, and not those also proposed by GRG (but never charged). In both instances, the Bank identified and corrected this error at a later stage of its own Process.

The other two faults arose because the Bank did not include some of the relevant evidence in its assessment of a particular allegation. In one of these instances, the Bank identified and corrected this omission at a later stage of its own Process. In the other, having reviewed the additional evidence, I was able to conclude that the outcome was one that was reasonably open to the Bank to reach, so the Complaint did not fail Assurance overall.

The Bank undertakes three important steps post Decision Committee: calculating any Direct Loss award due, sending an outcome letter to the Customer and sending a final outcome letter subsequent to any Appeal. Of the 151 Complaints assured to the outcome letter stage, only two have failed a step of the Complaints Process subsequent to the Decision Committee. Both of these faults relate to previous quarters and so were described in my earlier reports.

As I have mentioned in previous quarterly reports, the RBS Complaints Process is a large-scale endeavour involving hundreds of people assessing vast amounts of detailed information as they execute a complex process covering an extended period. I am not surprised that my team's rigorous interrogation of the process has identified some faults. I am reassured that almost all such faults are identified and corrected by RBS itself as individual Complaints run their course. Nevertheless, I continue to provide RBS with detailed Assurance observations on a regular basis, and I note that even at this relatively late stage of its own process the Bank takes this feedback constructively as it looks to ensure that its last Complaints are assessed appropriately.

Appeals

I have now received 664¹ in-scope Appeals, of which 120 were received since my last quarterly report. I have reached a conclusion in 506 of these Appeals, of which I have sent letters communicating my decision to 470 Customers - including 114 during this last quarter.

I expect to maintain a similar throughput going forward. I will continue to look for opportunities to increase further the efficiency with which I consider Appeals, but my priority remains delivering a fair outcome to Customers, and I will not lower the quality and thoroughness of my assessment in order to achieve greater speed.

In some Appeals that I have received the Customer has raised a new allegation or submitted material new evidence. In accordance with the Principles governing the RBS GRG Complaints Process, I paused my assessment of these Appeals in order to allow the Bank to complete an assessment of these new matters in the first instance. In some cases, this has led to a significant delay in providing these Customers with an outcome to their Appeal. In this quarter, the Bank made good progress in reviewing the new matters remitted by me. This has allowed me to restart my assessment of many of these Appeals.

Of the 470 Appeal outcomes I have shared with Customers, I have fully or partially upheld 147 (31%). This uphold rate is broadly consistent with the previous quarter.

Table 1. Summary of Appeals received to date

Eligible Appeals received ¹	664	
Decisions communicated to Customers	470	
Decisions made, awaiting communication to Customers	36	
Appeals awaiting decision	144	
Appeals closed ²	14	
Appeals fully or partially upheld ³	147 of 470	31%

As I have noted in previous reports, most Appeals comprise several allegations. Across the 470 Appeal outcomes shared with Customers I have assessed 2,860 allegations, of which 894 have been assessed since my last quarterly report. Of the 2,860 allegation outcomes that I have communicated, I have upheld 215, representing an allegation uphold rate of 8%. I note that the allegation uphold rate has hovered around this level throughout this year.

The themes that I have so far observed on Appeal continue to reflect the themes of the overall Complaints population received by RBS. 31% of allegations fall into the broad category of Unfair Treatment - primarily the imposition of third parties (for example, RBS requiring the Customer to undertake a security review) and the costs associated with these. Pricing and Provision of Finance account for 28% and 20% respectively of the allegations considered on Appeal. Of the rest, most relate to the Transfer into GRG or Staff Behaviour. I have upheld 11% of allegations relating to Pricing; my uphold rates for all other allegation themes are lower. I intend to address some of these themes in greater detail in future quarterly reports.

¹ Total number eligible Appeals received by the ITP. This excludes Appeals which I have paused in order to remit them to the Bank because they included new allegations or material new evidence.

² Number of Appeals closed for other reasons (four considered out of scope and ten withdrawn by the Appellant).

³ Uphold rate based on decisions communicated to Customers.

Table 2. Summary of Appeal allegation outcomes communicated to Customers⁴

Allegation theme	Number of Allegations	Number upheld	Uphold rate
Transfer In/Out of GRG	337	14	4%
Pricing	808	85	11%
Valuations	82	2	2%
West Register	13	-	-
Unfair Treatment	899	64	7%
Provision of Finance	576	38	7%
RM Behaviour	145	12	8%
Total	2,860	215	8%

As I have noted in previous quarterly reports, in considering each Appeal on a *de novo* basis, I am not pronouncing on the reasonableness of the Bank's determination under its Complaints Process. Each Appeal outcome requires detailed consideration of the allegation and often relies on a matter of careful judgement as to what constituted a reasonable action on the part of GRG at the time. This means that I may reach different conclusions to those of the Bank based on my interpretation of the specific circumstances of a case. In many of the instances in which my conclusions have differed from those of RBS, my decisions have rested on a finely balanced exercise of judgement.

I note that the Bank continues to adopt the principles implicit in my Appeal findings and to apply them in its own subsequent Complaints assessments. This has contributed to a slight drop in my allegation uphold rate this year versus last year.

For any allegation that I uphold, I then assess whether there is compensation due to the Customer for Direct Loss resulting from RBS's actions during the relevant period. Direct Loss is defined as either sums of money paid by a Customer to RBS or a Customer's out-of-pocket costs of meeting the Bank's requirements. Any Direct Loss I award is in addition to payments already made by the Bank to Customers - either (i) under its Automatic Fee Refund ("AFR") scheme for complex fees, or (ii) awards for Direct Loss made by RBS following the Bank's consideration of the Complaint, or (iii) discretionary goodwill payments.

The compensation I award on Appeal is also impacted by the fact that certain fees the Bank sought to charge - and which I have judged to be unreasonable - were not, in the event, levied by RBS - and so, although wrong in principle, no financial redress for Direct Loss is due. I should also point out that any award I make at this stage excludes sums that may subsequently be claimed by Customers as Consequential Loss, which is any financial loss stemming from an upheld Complaint which does not fall within the definition of Direct Loss, laid out above.

In the 470 Appeals for which I have already communicated my decision, payments totalling £12.9m had already been made by the Bank under its AFR scheme, with further Direct Loss awards from the Bank of £3.2m (plus 8% interest). I have upheld 215 allegations on Appeal, awarding further financial redress for Direct Loss in 88 instances. The total amount of Direct Loss I have awarded in excess of AFR and Bank Direct Loss awards amounts to approximately £705k (plus 8% interest).

⁴ Allegations associated with the 470 Appeal decisions communicated to Customers.

Consequential Loss

Customers who have had their Complaint upheld by the Bank in the first instance, or by me on Appeal, are eligible to submit a claim for Consequential Loss (“CL”). My main role in regard to these CL claims is to hear Customer Appeals.

As of the end of this quarter, nearly one hundred Customers have submitted claims for CL to the Bank. The Bank has communicated its outcome to two fifths of these Customers, of which twenty nine have now had their 56-day appeal window expire. So far, I have received ten in-scope CL Appeals, of which only two were received since my last quarterly report.

I have already reached an outcome on six CL Appeals, and have communicated my outcome in a letter to four of these Customers. To date, I have not upheld any CL Appeals. Of these early six CL Appeals, none has successfully demonstrated that the CL alleged to have been suffered was caused, either directly or indirectly, by the unfair actions of the Bank. I will provide further updates on my progress in considering CL Appeals in my future quarterly reports.

I hope this report is helpful in setting out the key activities of the last quarter, and the progress made to date.

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