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

This is my eighth 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 has continued to operate a robust Complaints Process that is designed to collect and consider carefully the evidence relevant to Customers' Complaints. As I have noted in previous reports, these Complaints are complex to assess and require considerable effort and resources to do so at scale.

RBS has maintained an appropriate level of quality at each stage of the Complaints Process, and the number of Assurance issues identified remains low in number. In addition, RBS has continued to work constructively to refine its operations in areas where I have identified opportunities for it to do so. I will continue to verify the quality of the Complaints Process through my Assurance role.

In October 2018 the Complaints Process closed to new Complaint submissions from UK Customers. The overall size of the Complaints population is now known to be around 2,500. Decisions have been communicated to Customers by RBS in relation to about half of these Complaints. The throughput of the Complaints Process during the last quarter of 2018 has remained steady, with 256 Outcome Letters issued to Customers in the most recent quarter, against 239 in the previous quarter. The bank has told me that it expects throughput to remain at around this level for the remainder of the Complaints Process. This would result in the majority of outstanding Complaints being considered by RBS during 2019.

While many of the Complaints not yet considered by RBS were submitted shortly before the recent closure of the submission window, a number of other Customers have been waiting for a substantial time to have their Complaints reviewed. I continue to engage with RBS on this point, and am reassured that the bank is still actively seeking ways to address those Complaints that have been outstanding for the longest period. I note that the number of such Complaints has reduced substantially over the last quarter.

Assurance

My team conducts a thorough and detailed scrutiny of a sample of Complaints as they pass through each step of the RBS Complaints Process. This scrutiny is broad in scope, encompassing any interactions between the RBS Helpdesk and the Customer, the bank's subsequent interpretation and formulation of the allegations, the evidence base underpinning the assessment of the Complaint, the logic and judgment applied in arriving at a Complaint outcome, and the quality of communication to the Customer.

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.

Now that the final size of the GRG Complaints population is known, I am in a position to determine with greater certainty the number of Complaints to be assured in order to achieve a robust Assurance sample. With a population of around 2,500 Complaints, an Assurance sample size of at least 170 Complaints will enable me to achieve this goal. As of the end of this quarter, we have assured 129 Complaints up to and including the critical Decision Committee step, 89 of which we have now assured to the final Outcome Letter step. This represents scrutiny of hundreds of individual allegations, across what amounts to more than a thousand discrete steps in the Complaints Process.

Of 129 Complaints assessed so far, 126 have passed Assurance. Two of the Complaints that failed Assurance at an overall Complaint level were described in previous quarterly reports. The most recent failure was a result of a Complaint being assessed too narrowly by RBS. Specifically, the bank incorrectly excluded one legal entity from a multi-entity complaint when defining the entities which should be within the scope of its assessment. The incorrect omission was not rectified in subsequent stages of the Complaints Process. In this instance, my team identified the fault and intervened to ensure the Customer did not receive an inappropriate Complaint outcome due to the incorrect exclusion of the entity.

In a further 15 of the 129 Complaints assured up to the Decision Committee step, my team identified faults at individual steps of the Complaints Process that, if not corrected at later stages of the process, could have had a material impact on the overall Complaint outcome. One of these is new since my last quarterly report and relates to a failure to adequately capture all allegations within a Complaint. The bank's process worked as intended, allowing it to identify and correct the error at a later stage in the Process and so protecting the integrity of the final Customer outcome.

Of the 89 Complaints assured end-to-end thus far, only one has failed a step of the Complaints Process subsequent to the Decision Committee, and this was described in my last quarterly report. No Complaints assured end-to-end during the last quarter have failed at this step of the Process.

The RBS Complaints Process is a large-scale endeavour involving hundreds of people searching through 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 the bank continues to take this feedback constructively as it continues to refine and strengthen its process.

Appeals

By the end of the fourth quarter of 2018, I had received 340 in-scope Appeals, of which 87 were received since my last quarterly report. I have now reached a conclusion on 210 Appeals. Of these, I have sent letters communicating an Appeal outcome to 155 Customers, of which 63 were sent during this quarter. I have also decided, but not yet communicated, the outcome of a further 55 Appeals.

This level of activity represents a significant increase in throughput by comparison with previous quarters. This increasing productivity reflects the continued scaling-up of my team through the second half of 2018 as I respond to the increasing Appeal volumes submitted by Customers. The greater number of Appeals is itself a consequence of the greater volume of outcomes delivered by the Bank earlier in the year.

Of the 155 Appeal outcomes shared with Customers, I have fully or partially upheld 43 (28%) Appeals. This percentage is broadly consistent with the position at the end of the previous quarter.

Table 1. Summary of Appeals received to date

Eligible Appeals Received ¹		340
Decisions communicated to Customers		155
Decisions made, awaiting communication to Customers		55
Appeals Awaiting Decision		125
Appeals Closed ²		5
Appeals fully or partially upheld ³	43 of 155	28%

As I have noted in previous reports, most Appeals comprise several allegations. I consider the uphold rate by allegation to be a better measure because it more accurately reflects the disposition of a Customer's Complaint. Across the 155 Appeal outcomes shared with Customers, I have assessed 632 allegations, representing an average of 4.1 allegations per Appeal. This reflects a continuing increase in complexity of Appeals, with the number of allegations per Appeal rising from 3.6 in the previous quarter, and 3.3 in the quarter before that. Of these 632 allegations, I have upheld 56, representing an allegation uphold rate of 9%. This rate has declined slightly from 11% through the quarter, and I anticipate it will continue to fluctuate, driven by variation in the substance of Appeals received.

The themes that I have so far observed on Appeal continue to reflect the themes of the overall Complaints population received by RBS. 35% of allegations fall into the broad category of unfair treatment - primarily the imposition of 3rd parties (for example, RBS requiring the Customer to undertake an Independent Business Review) and the costs associated with these. Provision of finance and pricing each account for around 20% of the allegations considered on appeal. Of the rest, most relate to the transfer into GRG or staff behaviour. I have upheld allegations relating to pricing in 11% of such Appeals; my uphold rates for all other allegation themes are lower.

¹ Total number eligible Appeals received by the ITP. Excludes Appeals which have been remitted to the Bank due to the inclusion of new allegations

² Number of Appeals closed for other reasons (two identified as out of scope, two withdrawn by the appellant and one remitted to the bank and not subsequently appealed)

³ Uphold rate of decisions communicated to Customers

Table 2. Summary of allegation outcomes communicated to Customers⁴

Allegation theme	Number of Allegations	Number upheld	Uphold rate
Transfer In/Out of GRG	81	6	7%
Pricing	148	16	11%
Valuations	12	0	0%
West Register	1	0	0%
Unfair Treatment	219	17	8%
Provision of Finance	129	13	10%
RM Behaviour	42	4	10%
Total	632	56	9%

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 the 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.

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 the 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.

The compensation I award on appeal is 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 goodwill payments (which fall outside the scope of my role) or, in due course, for Consequential Loss.

In the 155 Appeals for which I have already communicated my decision, payments totalling £2.2m had already been made by the bank under the AFR scheme, with further Direct Loss awards from the bank of £641,000 (plus 8% interest). I upheld 55 allegations on appeal, awarding further financial redress for Direct Loss in 17 instances. The total amount of Direct Loss I have awarded amounts to approximately £92,000 with 8% simple interest also payable on this sum.

I have previously described the highly complex nature of many of the Appeals I receive. This complexity, and the ever increasing volume of Appeals, has led me to scale up my team in recent months, resulting in an enhanced level of throughput. I will continue to look for opportunities to increase throughput further, 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 such an increase.

⁴ Allegations associated with the 155 Appeal decisions communicated to Customers

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

Sir William Blackburne
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