



Sir William Blackburne
Independent Third Party
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Sir Howard Davies
Chairman, Board of Directors
The Royal Bank of Scotland
RBS Gogarburn
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05 July 2017

Dear Sir Howard,

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

I am pleased to provide the RBS Board of Directors with the second quarterly report on my Assurance and Appeals roles in relation to the RBS GRG Complaints Process. A copy of this report has also been provided to the Financial Conduct Authority.

As you may have been informed, since my last report, the RBS team has continued to refine the Complaints Process, on which I have continued to provide input. I have also started formal Assurance and have readied my team to consider Appeals. My findings from those activities will form the contents of subsequent quarterly reports.

I do hope this report is helpful in informing you of my progress and findings to date.

Yours sincerely,

A handwritten signature in blue ink that reads 'William Blackburne'.

Sir William Blackburne
Independent Third Party

Enclosure



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

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

Since my last report, the RBS team has continued to refine the Complaints Process. I have continued to review that process, and to provide input on whether I believe it to be appropriately designed. I have also started formal Assurance (to the extent I am able), and have readied my team to consider Appeals.

While the bank has continued to engage constructively with my team, and while I recognise its efforts in putting together a robust Complaints Process, I have to report that progress to date has been slower than I would have wished. In spite of this, the ITP team has continued to do as much as it can on both Assurance and Appeals, as set out below.

In the expectation that the Complaints Process will soon be running at a faster rate, I very much hope that at the end of the next quarter I will be able to provide a greater level of detail on Assurance outcomes from a process in full flow, and will have received a full quarter of Appeals on which to report.

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RBS's Complaints Process

Given that the Complaints Process has been open to Customers since November last year but only three Customers have received outcomes to date, it is important to reflect on the reasons for the delay.

The first group of Complaints to be processed by RBS served as 'pathfinder' Complaints, i.e. they helped the bank test the robustness and scalability of its Complaints Process. These Complaints demonstrated that, while RBS had designed a process that seemed capable of reaching reasonable outcomes, it was unclear whether that process could work effectively at a larger scale.

In the light of this, the bank imposed a hiatus on the operation of the later stages of the Complaints Process, and took time (in my view, too much time) to re-design parts of the process and its underlying documentation. RBS engaged constructively with my team's feedback on these matters.

Predictably, this hiatus has led to delays in processing Complaints and dispatching outcomes to Customers, some of whom have been waiting six months or longer for a decision. I

understand the frustration of those Customers, many of whom have made their feelings known to RBS.

While I consider many of the changes made by the bank to have been helpful in improving the quality of the Complaints Process, it would obviously have been better if RBS had made them earlier. I have the sense that, in order to demonstrate to me as Independent Third Party that it had gone about matters in the right way, the bank adopted processes which in some important respects were over-elaborate and could not handle the anticipated volume of Complaints within any reasonable time-frame.

Aside from the point made in the previous paragraph, I am pleased that the bank is making the required changes to the Complaints Process. My team and I are now embarking on the process of testing whether those changes will lead to real improvements in the scalability of the process.

Status of Assurance Process

As you will recall, my Assurance role embraces two elements: to establish whether RBS's Complaints Process is appropriately designed, and to assess whether that process is working in practice. To do the latter, my team and I have broken the Complaints Process into 13 constituent steps, each of which will receive a proportionate degree of Assurance scrutiny.

Since my last report, the ITP team has completed an Assurance 'pilot', intended to both fine-tune the Assurance Process (i.e. test what we designed on paper) and provide feedback to RBS on its handling of pathfinder Complaints. RBS's handling of pathfinder Complaints was generally of a good standard, and (notwithstanding the speed at which the process currently operates) I do not consider that any of the problems identified in our small initial sample of Complaints is likely to have had a material impact on Customer outcomes.

My team and I have built on what we learned from the Assurance pilot to commence 'formal' Assurance, although our progress on this front has been hampered by the delays in the Complaints Process.

Consequently, we have been able to assure no more than the early steps of the process (wherein RBS records and acknowledges Complaints, and responds to Customer queries) for 67 Complaints. While we have a number of questions for clarification by RBS, I am to date broadly comfortable with the thoroughness with which the bank has executed this step. I was initially concerned with delays in acknowledging to Customers the receipt of their Complaints, but can report that this has subsequently accelerated.

In contrast, we have only been able to assure three Complaints at the Decision Committee step, where Complaint outcomes are decided. To date, I am satisfied with the rigour of the decision-making process followed for this small sample of Complaints. Given the importance of this step in the overall process, it will remain the subject of much Assurance scrutiny.

We now aim to accelerate our Assurance activities to match the increasing pace at which we expect RBS will be able to process Complaints to their conclusion.

Status of Appeals Process

As Complaint outcomes only started to be dispatched to Customers earlier this month, we have not yet received any Appeals. The total number of Appeals we can expect to receive therefore remains unknown.

We have taken advantage of the delay to continue to prepare for the Appeals Process. In doing so, we have ensured that we have the right tools and documentation in place. We have



also closely reviewed GRG policies (in relation to pricing and other matters) in place during the relevant period, while simultaneously conducting research into wider industry practices. This will also help us in our Assurance role.

Separately, we have continued to recruit Banking Subject Matter Experts (drawn from banks other than RBS). We will rely on the advice of these experts on technical matters related to banking and restructuring practice prevailing in the market during the relevant period.

As one would expect, we have also completed an Appeals 'pilot' to test the robustness of our Appeals Process. This pilot exercise has led me to believe that the process is broadly fit for purpose, and I have incorporated any necessary changes.

Based on current expectations, it is possible that the volume of Appeals will exceed my personal capacity to consider them. So, as I wrote in my last report, I have arranged for two 'ITP Delegates' to support me in my Appeals role, should this prove necessary.

I hope this report is helpful in setting out the key activities of the last quarter and the progress I have been able to make in the conduct of my roles.

Sir William Blackburne
Independent Third Party