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

This is my third quarterly report as Independent Third Party assuring the RBS GRG Complaints Process and determining Appeals against RBS Complaint Outcomes.

In my last report, I criticised the slow progress of the Complaints Process. Since then, the RBS team has scaled up its operation. This has not happened as quickly as I would have liked; but there are positive signs that activity will continue to pick up in coming weeks.

In turn, my team and I have continued to make progress on Assurance and I have now started to receive Appeals against Complaint outcomes.

Set out below are details on each of the key streams of work.

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**RBS's Complaints Process**

As I wrote in my previous quarterly reports, RBS seems to have put in place a rigorous Complaints Process designed to collect and consider evidence in a way which would allow it to deliver fair outcomes to Customers.

So far, those outcomes have not been delivered quickly enough. I remain of the view that in trying to be robust, methodical and attentive to detail in their consideration of Complaints, RBS created a process that was elaborate and time-consuming. This is reflected in how long it has taken to dispatch the first Complaint outcomes.

Since my last report, the bank has made changes designed to speed up the Complaints Process and to increase its throughput. Most notably, it increased the number of Decision Committee chairs empowered to determine Complaint outcomes.

These efforts are reflected in the number of Complaints being decided. Having determined 30 Complaints in the second quarter of 2017, RBS made 124 decisions in the third quarter and has set itself a more ambitious target for the fourth quarter. Having scaled up its team of decision-makers, RBS is now addressing subsequent 'bottlenecks' in its process, namely the assessment of each Complaint and the writing of Outcome Letters.

It is important that momentum is sustained given that there are nearly 800 Complaints awaiting a decision or closure.

## Assurance

As you will recall, my main Assurance activities are designed to test whether the bank:

- Correctly interprets Customer Complaints;
- Gathers the relevant information for the consideration of those Complaints;
- Accurately and appropriately summarises that information in the materials provided to its Decision Committees; and
- Duly considers Complaints in a way that allows it to deliver reasonable outcomes to Customers.

In conducting Assurance, my team and I determine an Assurance outcome for individual sample Complaints at two levels – at each step of the Complaints Process, and at an overall Complaint level. A Complaint may fail Assurance at one or more steps of the Complaints Process, but pass Assurance *overall* if the Complaint Outcome was one that was reasonably open to RBS to reach.

In assuring a Complaint outcome, I consider whether the decision reached by the Decision Committee was one that was reasonably open to it, and not whether I would have reached the same decision myself.

I have shared observations on the performance of individual Decision Committee chairs with RBS with a view to fostering greater consistency and calibration across chairs. The bank has embraced this feedback.

There are three reasons why I take comfort that the process is operating effectively:

- The majority of issues I have found to date relate to failures to follow the process as designed, rather than faults that undermine its fundamental integrity. Moreover, the overall number of issues identified is within acceptable tolerance.
- Of the issues I identified, many were self-corrected by the bank, and so did not affect subsequent steps of the process – evidence of checks and balances at work.
- I expect that the small number of other shortcomings I have identified can be addressed through relatively straight-forward interventions.

Our Assurance activities continue to keep pace with the Complaints Process. We are now at various stages of assuring the 85 Complaints we have selected for Assurance to date, and have assured 22 of these Complaints at the critical Decision Committee step.

In 79 of the 85 sample Complaints, the bank fully adhered to the Complaints Process for the steps that I have assured. In 6 other Complaints, I identified faults at individual Complaints Process steps that, if not remediated at later stages of the process, would carry the risk of having a material impact on the Complaint outcome.

- In 1 of the 6 Complaints, I observed a fault at the Decision Committee step. On that occasion, I believe that the way that the Decision Committee chose to interpret the Complaint meant that it came to an outcome that was not reasonably open to it to reach. This represents the only overall Complaint failure (out of a sample of 22 Complaints assured at Decision Committee) that I have observed to date.
- Another 3 sample Complaints had a fault in the preparation of materials for Decision Committee. In each of these cases, RBS recognised these errors at subsequent steps of the Complaints Process, without prompt from my team. As an example, on one occasion the RBS Complaint Handler incorrectly applied RBS's pricing policy in determining whether a fee was appropriate, but this was subsequently corrected by the bank.

- In another 2 of the 6 sample Complaints, my team and I observed a fault at the Information Gathering stage of the Complaints Process. In these cases, RBS did not search for potentially relevant emails across a sufficiently wide date range.

This is only a brief summary of the detailed Assurance observations that I have provided to RBS – feedback which the bank has taken constructively.

In terms of the day-to-day operations of the Complaints Process, I note that on several occasions the process has not run as smoothly as I would have hoped. Examples of this include delays in providing my team with Decision Committee papers and frequent changes to the Decision Committee schedule. This does not prevent me from carrying out my duties, but does introduce inefficiencies into the Assurance Process.

I have provided this feedback to the bank, and am hopeful that the number of such occurrences will substantially decline as we continue to accelerate our Assurance activities in line with what we hope will be the increasing pace of the Complaints Process.

### **Appeals**

I am now receiving the first Appeals against outcomes of the Complaints Process. The number received to date (9) is predictably low given the relatively small number of Complaint outcomes that have been dispatched to Customers.

So far, the Appeals Process appears to be working satisfactorily. As we learn more, there will inevitably be opportunities to improve further. While the total number of Appeals I may expect to receive remains unknown, I am putting provisions in place to ensure that I can cope with an increase in volumes.

Given the small numbers at play I would strongly caution against reading too much into Appeals statistics at this stage. Nevertheless, of 22 Customers eligible to appeal to date, 2 have accepted their original Complaint outcome, 9 have submitted Appeals, and 8 are out of time to Appeal. I have to date reached a conclusion on 4 of the 9 Appeals I have received. I have upheld 1 and dismissed 3 others.

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

Sir William Blackburne  
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