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

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

Overall observations on RBS's Complaints Process

In line with previous reports, I can only reiterate that the Complaints Process is designed to collect and consider carefully the evidence relevant to Customers' Complaints. Assessing each Complaint involves considerable effort, given that no two Complaints are the same and many are highly complex in nature.

Indeed, evidence indicates that the complexity of Complaints assessed has increased in recent months. The average number of allegations per Complaint has reached 7.7 in the second quarter of 2018, up from 4.8 in the first quarter. Assessing these more complex Complaints inevitably requires greater time and resources from RBS.

I know that the pace of Complaint resolution is of great interest to Customers awaiting the outcome of their Complaints. The number of Outcome Letters issued to Customers in the most recent quarter was 258, against 304 in the previous quarter. I am told that throughput is expected to remain at around this level until the backlog of Complaints has been addressed.

A number of 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 actively seeking ways to address those Complaints that have been outstanding for the longest period.

Notwithstanding its ongoing efforts to increase throughput, RBS continues to maintain an appropriate level of quality at every stage of the Complaints Process. I will continue to verify this through my Assurance of the Complaints Process.

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 Complaints 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.

Achieving a statistically robust sample requires the Assurance of approximately 10% or 150 (whichever is greater) of the in-scope Complaints received by RBS. The Complaints that are assured are selected at random by my team. In this respect, and as RBS's throughput has increased, my team's Assurance activities have kept pace with the Complaints Process. As of the end of this quarter, we have assured 97 Complaints at the critical Decision Committee step, 45 of which we have now assured to the final Outcome Letter step. This represents scrutiny of hundreds of individual allegations, across what amounts to 809 discrete steps.

Of 97 Complaints assessed so far, 95 have passed Assurance. Of the two that have failed Assurance at the outcome level, one has occurred since my last quarterly report. The most recent outcome fault was a failure in process, rather than an error of judgement. The Bank overlooked a material piece of evidence submitted by the Customer when reviewing a Complaint. This led the Bank to incorrectly conclude in the Outcome Letter that it was unable to assess one allegation unless the Customer could provide further information. I am confident that RBS has taken appropriate steps to address this particular process failure. In addition, the bank has since reassessed the allegation and reached a reasonable outcome.

In a further 13 of the 97 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. In this case, the bank failed to capture the correspondence of two relevant Relationship Managers when building the evidence base for the assessment of a Complaint. Having reviewed the case, my team was able to conclude that in this instance the omission would not have had a bearing on the decision reached by the bank.

Of the 45 Complaints assured end-to-end thus far, only one has failed a step of the Complaints Process subsequent to the Decision Committee. In this instance the bank incorrectly calculated – albeit by only a very small amount – the interest owed to the Customer on an award of Direct Loss.

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 over 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.

Appeals

By the end of the second quarter of 2018, I had received 169 in-scope Appeals, of which 94 were received since my last quarterly report. I have now sent letters communicating an Appeal outcome to 55 Customers, and have also decided, but not yet communicated, the outcome of a further 20 Appeals. Of the 55 Appeal outcomes shared with Customers, I have fully or partially upheld 15 (27%) Appeals. I have also had one Customer withdraw an Appeal after submission.

Table 1. Summary of Appeals received to date

Eligible Appeals Received ¹	169
Decisions communicated to Customers	55
Decisions made, awaiting communication to Customers	20
Appeals Awaiting Decision	91
Appeals Closed ²	3
Appeals fully or partially upheld ³	15 of 55 27%

As I have noted in previous reports, most Appeals comprise several allegations. I consider the uphold rate by allegation to be a particularly helpful measure because it more accurately reflects the disposition of a Customer's Complaint. Across the 55 Appeal outcomes shared with Customers, I have assessed 179 allegations, of which I have upheld 20, representing an allegation uphold rate of 11%.

The themes that I have so far observed on Appeal reflect the themes of the overall Complaints population received by RBS. Approximately 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 24% of such Appeals; my uphold rates for all other allegation themes are lower, with most under 10%.

Table 2. Summary of allegations outcomes communicated to Customers⁴

Allegation theme	Number of Allegations	Number upheld	Uphold rate
Transfer In/Out of GRG	21	1	5%
Pricing	38	9	24%
Valuations	3	0	0%
West Register	1	0	0%
Unfair Treatment	63	5	8%
Provision of Finance	39	4	10%
RM Behaviour	14	1	7%
Total	179	20	11%

¹ Total number eligible Appeals received by the ITP. Excludes Appeals which have been remitted to the Bank

² Number of Appeals closed for other reasons (two identified as out of scope and one withdrawn by the appellant)

³ Uphold rate of decisions communicated to Customers

⁴ Allegations associated with the 55 Appeal decisions communicated to Customers – see Table 1 for more detail

In considering each Appeal on a *de novo* basis, I am not making any judgement on the reasonableness of the bank's initial determination. Each Appeal outcome requires detailed consideration of the allegation and often relies on a matter of careful judgment 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 initial consideration of a Complaint.

The compensation I award on appeal reflects 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 for Consequential Loss or as goodwill payments (both of which fall outside the scope of my role).

In the 55 Appeals for which I have already communicated my decision, payments totalling £1.2m had already been made by the bank under the AFR scheme, with further Direct Loss awards from the bank of £191,000 (excluding 8% interest). I upheld 20 allegations on appeal, awarding further financial redress for Direct Loss in 8 cases, amounting to approximately £38,000⁵ with 8% simple interest also payable on this sum.

A number of Customers have expressed concern to me regarding the need to collect and submit documents or other evidence alongside their Appeal. It is worth emphasising that I have access to, and consider in detail the RBS files relevant to each Appeal, including email correspondence with Customers, internal bank emails and records, account data, and available paper documentation. It is therefore not necessary to resubmit these materials to me. Notwithstanding this point, it is open to Customers to submit additional evidence or commentary in support of their Appeal. In such instances Customers should be aware that (in accordance with Principle 5.2 of the RBS Complaints Process) any new allegations or material information submitted on Appeal but not previously considered by RBS must be remitted to the bank for first review. At this point, consideration of the Appeal will be suspended until that consideration is complete, which will naturally result in a delay in finalising the Appeal outcome.

As I mentioned in previous reports, Appeals are far more complex to assess than I had originally anticipated. In the light of this, and the ever increasing volume of Appeals, it is now taking me longer to respond to Appeals. I continue to scale-up my operation, and to look for further process efficiencies, in order to mitigate this issue as far as possible. However, 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 throughput.

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
Independent Third Party

⁵ The amount of redress associated with one of the eight allegations awarded direct loss is not included in this figure as I was unable to calculate the specific loss suffered without additional information from the appellant.