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

This is my tenth 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, RBS has communicated decisions to Customers in just over 70% of these Complaints.

In the most recent quarter, the throughput of the Bank's Complaints Process accelerated, with RBS issuing 331 outcome letters to Customers. This compares to 300 and 256 respectively in the previous two quarters. Notwithstanding this acceleration, RBS shows every sign of maintaining an appropriate level of quality at each stage of the Complaints Process.

RBS has told me that it is planning to complete its assessment of the vast majority of the outstanding Complaints this year. I will 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 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. This is a number that is sufficient to ensure that I achieve a robust Assurance sample. As of the end of this quarter, I have assured 147 Complaints up to and including the critical Decision Committee step, with 128 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 147 Complaints assessed up to Decision Committee, 143 have passed Assurance which represents a pass rate of 97%. In the four cases where it did not pass Assurance, the Bank corrected the Customer outcomes after my team intervened. One of these Assurance failures at the overall Complaint level was identified in this last quarter, although it relates to a Decision Committee meeting held in late 2018. In this particular case, when assessing the fees related to a security review, the Bank appropriately concluded that the fees charged to the Customer were excessive and offered to compensate the Customer for these excessive fees. However, the Bank concluded that this specific allegation was Not Upheld, when in fact it should have been Upheld. While the customer suffered no adverse financial consequences, the misclassification by the Bank represents a departure from the appropriate process.

In a further 19 of the 147 Complaints assured up to the Decision Committee step, my team has identified faults at individual steps of the Complaints Process that could have had a material impact on the overall Complaint outcome. Only one of these is new since my last quarterly report. In this case, RBS did not fully capture all components of a customer's complaint. Specifically, RBS incorrectly excluded from its assessment some of the fees charged to the Customer and it did not assess all relevant Customer entities for one of the allegations. These errors were corrected by the Bank itself at a later stage of its own process and so this Complaint did not fail Assurance at an overall level.

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 128 Complaints assured to the outcome letter stage, two have failed a step of the Complaints Process subsequent to the Decision Committee. Both of these faults were described in my earlier reports as they were detected in earlier quarters.

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 continues to strengthen its process.

## **Appeals**

I have now received 544<sup>1</sup> in-scope Appeals, of which 112 were received since my last quarterly report. I have reached a conclusion on 405 of these Appeals, of which I have sent letters communicating my decision to 356 Customers - including 94 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 such an increase.

Of the 356 Appeal outcomes shared with Customers, I have fully or partially upheld 101 (28%). This uphold rate is broadly consistent with the position at the end of the previous quarter.

Table 1. Summary of Appeals received to date

Eligible Appeals received <sup>1</sup>	544
Decisions communicated to Customers	356
Decisions made, awaiting communication to Customers	49
Appeals awaiting decision	130
Appeals closed <sup>2</sup>	9
Appeals fully or partially upheld <sup>3</sup>	101 of 356 28%

As I have noted in previous reports, most Appeals comprise several allegations. Across the 356 Appeal outcomes shared with Customers I have assessed 1,966 allegations, of which 754 have been assessed since my last quarterly report.

Of the 1,966 allegation outcomes that I have communicated, I have upheld 130, representing an allegation uphold rate of 7%. This uphold rate has declined slightly since the beginning of this year. I believe that this decline has been driven primarily by two factors. First, the Bank continues to adopt the principles implicit in my Appeal findings and apply them in its own subsequent Complaints assessments. Second, Complaints now consist of a greater number of more granular allegations (particularly those submitted by claims management companies) thereby requiring a correspondingly more granular determination of which specific Bank action, if any, merits an uphold.

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 29% 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 9% of allegations relating to Pricing; my uphold rates for all other allegation themes are lower. In my last quarterly report I specifically commented on the uphold rate for Valuations related allegations and the comments I made in that report continue to apply.

Table 2. Summary of Appeal allegation outcomes communicated to Customers<sup>4</sup>

Allegation theme	Number of Allegations	Number upheld	Uphold rate
Transfer In/Out of GRG	223	7	3%
Pricing	561	49	9%
Valuations	61	1	2%
West Register	7	0	0%
Unfair Treatment	616	46	7%
Provision of Finance	389	20	5%
RM Behaviour	109	7	6%
<b>Total</b>	<b>1,966</b>	<b>130</b>	<b>7%</b>

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

<sup>1</sup> Total number eligible Appeals received by the ITP. This excludes Appeals which I have paused because they have been remitted to the Bank because they included new allegations or material new evidence.

<sup>2</sup> Number of Appeals closed for other reasons (four considered out of scope and five withdrawn by the Appellant).

<sup>3</sup> Uphold rate based on decisions communicated to Customers.

<sup>4</sup> Allegations associated with the 356 Appeal decisions communicated to Customers.

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 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.

In the 356 Appeals for which I have already communicated my decision, payments totalling £7.2m had already been made by the Bank under its AFR scheme, with further Direct Loss awards from the Bank of £2.4m (plus 8% interest). I have upheld 130 allegations on Appeal, awarding further financial redress for Direct Loss in 58 instances. The total amount of Direct Loss I have awarded in excess of AFR and Bank Direct Loss awards amounts to approximately £560,000 (plus 8% interest).

### **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"). As of the end of this quarter, 64 Customers have submitted claims for CL to the Bank. I have two roles in regard to these CL claims: to assure the Bank's process design and to hear Customer Appeals.

As stated in my last quarterly report, I consider the RBS CL process to be robustly designed and to include an appropriate number of checks and balances. Since the end of the last quarter RBS has made some small revisions to its CL process which, I am satisfied, help to enhance the rigour and quality of its process. I remain willing to engage with the Bank should it choose to make further revisions to its CL process.

I have now received eight in-scope CL Appeals, of which five were received since my last quarterly report. I have already reached an outcome on three of these CL Appeals, and have recently communicated my outcome in a letter to the Customer for the first one of these. To date, I have not upheld any CL Appeals. 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.

Sir William Blackburne  
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