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The FCA must stop making excuses and act to avoid another GRG scandal

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Baroness Bowles is a Liberal Democrat peer in the House of Lords.

It is six years since the damning accusations came to light that the Royal Bank of Scotland (RBS) had been decimating small businesses for its own benefit.

It was in fact a businessman, an adviser at the time to Vince Cable as business secretary in the coalition government, who uncovered and pulled together the dossier accusing the bank.

Following a five-year investigation, the Financial Conduct Authority (FCA) has now produced its report on the scandal. It is disappointing: its conclusion finds no one guilty, and its only answer to what happened there is a gap in our regulations. Not exactly groundbreaking. So, today my Liberal Democrat colleagues and I have secured a debate in the House of Lords to urge the Conservative government to join us in demanding action.

The scandal started with Global Restructuring Group (GRG), a unit which sat within RBS. GRG was in theory set up to help turn around the fortunes of struggling businesses which had taken out loans with RBS.

But the reality was far more sinister; RBS bullied business customers to move to GRG by demanding instant repayments. Customers were then stripped of their assets in order to benefit GRG's own bottom line.

GRG dealt with large companies as well as small ones, but, as has been widely reported in the media, it was for the most part the SMEs which were "mistreated" at the hands of RBS – 92 per cent, in fact.

"Mistreated" is an understatement. Lives were ruined as RBS customers lost their livelihoods, their homes, and in some incredibly tragic cases, their lives. A leaked training document for RBS staff stated: "sometimes you need to let customers hang themselves".

The FCA's report, although damning about RBS' conduct, is shamefully weak on plans for enforcement. It presents a catalogue of excuses of why action cannot be taken both against RBS now, and to prevent this from happening again.

Neither of these is an impossible ambition. Under the FCA's existing Principles for Good Regulation: "a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems". RBS' behaviour clearly falls short. This has been used before to pursue banks for the unregulated activity of foreign exchange, so why can it not be used for commercial lending for SMEs?

It is equally outrageous for the FCA to imply that commercial lending to SMEs is not systemically important. There are 5.6m SMEs in the UK employing over 16.2m people – they are a crucial part of our economy. And RBS was the largest lender for them.

The FCA also claims that because RBS' activities are unregulated, with no standards set, there is nothing to measure "fit and proper" against. But, undeniably, the actions of those working at GRG fell well below what can be seen as fit or proper.

Finally, the FCA has said that it was previously powerless to investigate GRG because the unit was outside the regulator's remit. **Now, new powers mean that if a similar situation were to occur again, the FCA might launch a probe, but apparently it would be "inappropriate" to look at the GRG scandal using those new powers, and it is far from clear that the powers would lead to significant enforcement.**

This is simply not good enough. Not only does the FCA owe it to victims to launch a thorough investigation, but it should be implementing regulations to ensure that this cannot happen again, not merely focusing on giving itself powers to investigate if it does.

GRG unfairly destroyed lives, repossessed homes, acted aggressively and without transparency or proper control. What happened at RBS cannot be repeated, and the FCA must be at the forefront of ensuring this.

The Liberal Democrats demand better and the victims of the scandal deserve it. Commercial lending for SMEs must be regulated. The FCA must stop making excuses and act. To fail to do so is to leave all those vulnerable to the same treatment that caused this scandal in the first place.

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