

Shame of the RBS bullies: Explosive secret files show how bailed-out Royal Bank of Scotland bullied, mocked, threatened and ripped off clients... under watch of these three City titans

- The abuses laid bare in detail in 350-page report that bank tried to suppress
- Included was an incident where staff plotted to take the stock of a bankrupt shop
- And a memo in which staff were urged to let customers 'hang themselves'
- Sir Philip Hampton, Stephen Hester and Nathan Bostock among three top bullies

By [Alex Hawkes And Lorraine Kelly And Ian Fraser For The Mail On Sunday](#)

Published: 22:37, 10 February 2018

A secret report into a notorious division of RBS has revealed how staff bullied and threatened vulnerable small businesses – less than a year after the bank was bailed out by taxpayers.

The abuses are laid bare in damning detail in an explosive 350-page report that the bank and City regulators tried to suppress.

We can disclose for the first time today chilling descriptions of how the bank mistreated its own customers from the full dossier – which was produced for the Financial Conduct Authority (FCA) and seen by The Mail on Sunday.

The Smooth Chairman



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Name: Sir Philip Hampton

Job then: Chairman, RBS. One of the UK's most respected corporate grandees, he led the board at the bank during a turbulent period from 2009 to 2015

Job now: Chairman, GlaxoSmithKline. After leaving RBS, Hampton glided into the chair at the UK's leading pharmaceuticals firm

Pay then: £750,000

Pay now: £700,000

Dossier they didn't want you to see

November 2013 Businessman Lawrence Tomlinson publishes an incendiary report claiming GRG ripped off small businesses.

November 2013 Sir Andrew Large, a former deputy governor of the Bank of England, issues report saying RBS must investigate the claims.

January 2014 The Financial Conduct Authority (FCA) appoints the consultancy Promontory Financial Group and accountant Mazars to lead an independent inquiry.

April 2014 Law firm Clifford Chance, hired by RBS for its own report, finds no evidence of Tomlinson claims.

September 2016 Promontory sends its report to RBS and the FCA.

October 2017 The FCA publishes a summary of the Promontory report.

January 2018 RBS boss Ross McEwan gives consent for report to be published. FCA says it must first show former bosses.

February 2018 The Treasury Select Committee orders the FCA to publish by February 16 – a deadline the regulator says it cannot meet.

Today The Mail on Sunday publishes details from the leaked report of RBS's bullying and aggression towards small firms.

They include; mimicry of a foreign customer; an incident in which staff plotted to help themselves to the stock of a bankrupt shop; an 'unprofessional culture' in which customers were seen as 'opportunities'; the plundering of small firms for huge and arbitrary fees; a shocking memo in which staff were urged to let some customers 'hang themselves'.

A furious row was brewing last week about the study, after MPs gave financial regulators a deadline of Friday to release the findings of the investigation, which began in 2014 and was concluded in 2016.

City watchdogs have been refusing to publish because they say they need to give individuals the right to reply to any criticism, a process that can take years. The Mail on Sunday can reveal today that its contents include multiple accounts of callous behaviour towards businessmen and women.

Innocent firms were treated as prey by opportunistic staff in the bank's Global Restructuring Group or GRG division, who were schooled by managers to wring them dry for as much as they could in charges.

Those who dared complain were often treated dismissively. A memo advising staff that, 'Sometimes you need to let customers hang themselves' was, the report said, 'widely circulated' and 'indicative of an unprofessional culture that set little store by the interests of customers'.

A shorter version of the report has already been published. But the full document contains more than 200 additional pages describing the bank's self-serving methods.

The Shrewd Hunter



Name: Stephen Hester

Job then: Chief executive, RBS. Took over from Fred 'The Shred' Goodwin in 2008 to try to restore the fortunes of the bank, but left in 2013 with the task not complete

Job now: A keen horseman, Hester is back in the saddle as boss of insurance group RSA

Pay then: £1.65m

Pay now: £4.3m

RBS has refunded about £400 million of fees wrongly levied on firms.

It insists it was cleared of the most serious charge levelled against it, namely that it had artificially lined up healthy firms and flung them into GRG so it could seize their assets for itself.

The former top bosses at the lender at the time the abuses are said to have taken place – between 2009 to 2013 – are not personally criticised in the report.

But it is a scandal that drags in some of the biggest names in British business, including the erstwhile chairman Sir Philip Hampton and former chief executive Stephen Hester.

Neither man had direct oversight of GRG, and the pair had their hands full keeping the bank from the brink after its £46 billion taxpayer bailout. Both men are highly regarded in the City.

The Hotseat Hotshot



Name: Nathan Bostock

Job then: Head of risk and restructuring, RBS. He joined in 2009 and was the senior executive in charge of overseeing GRG. He was promoted to finance director in 2013

Job now: Runs British arm of Spain's biggest bank, Santander, the UK's fifth largest high street player

Pay then: £3.3m

Pay now: £4.5m

The most senior executive looking after GRG was Nathan Bostock. He is now chief executive of Santander UK and one of the most important players in UK banking.

The man running the division day- to-day was Derek Sach, who now has his own consultancy.

All three men declined to comment. However, their tenures at the bank are set to be raked over this week if, as expected, MPs choose to bypass regulators and publish the report themselves.

Current RBS chief executive Ross McEwan and chairman Howard Davies are also set to be in the crosshairs, with MPs alleging last week that the pair had misled them on what had happened at its turnaround division. The pair deny the charge.

'Add your name and what you want - but don't take the p***'**

One memo cited in the report invited GRG staff to put names down to bag for themselves items from a shop that had gone under.

With the heading 'Nobody beats [customer]... in Administration anyway!!!' in the subject box, the email sent to 24 staff read: 'Team, I've saved a list for the [customer name] sale.

Can you go in and add your name and what you want... It's looking tight from [name's] view to get any special treatment here so keep things to staff only and don't take the p**s.

We may not get special treatment but we'll push for it! GRG only!'

RBS sources said the email was deleted within two hours – and the customer did not lose out.

'Let customers hang themselves,' says Just Hit Budget! memo

GRG staff were told, 'Sometimes you need to let customers hang themselves' in a training memo.

The directive was contained in the memo entitled 'Just Hit Budget!' which counselled staff on how to make charges look convincing.

It told them to, 'Avoid round number fees – £5,300 sounds as if you have thought about it, £5k sounds like you haven't.'

It urged staff to strike deals because 'missed opportunities mean missed bonuses'.

This was intended as guidance ‘on how to get a customer to agree chunky fees...and thank you for it.’

RBS has admitted the language was ‘completely inappropriate’ but argued it was limited to one regional office.

Promontory disagreed, saying the memo reflected a wider culture.

Emails mocked the nationality of entrepreneur who was foreign

Emails about one entrepreneur who was a foreign national contained ‘mimicry’ that was ‘disrespectful of the customer’s nationality’.

It is unclear whether the emails went to the customer or were internal communications shared between staff at the bank.

However, Promontory, the firm of expert analysts who conducted the investigation, wrote to RBS to express its concerns at the correspondence. It said the emails ‘fell short of the professional standards to which we would expect the Bank to aspire’.

Promontory added: ‘Such communications are not consistent with a culture that has, as its focus, the interests of the customer.’

Pick a number, any number... how fees were just plucked from the air

A manufacturer in the North of England, apparently on a whim, was hit with ‘monitoring’ fees of £2,000 a week – and the relationship manager involved said: ‘It will concentrate minds/galvanise them into action!!’

The report found that staff were often just plucking figures from thin air when calculating fees to add on to customer loans and borrowings – with little or no official calculations. In one example, when a relationship manager was asked how he calculated a £500 excess payment fee on a loan, he responded: ‘There was no rationale or methodology to that.’

In another example, when describing how to calculate extra fees for customers, a GRG relationship manager explained: ‘It’s not rocket science. It would have just been done in your head really.’

The manager 'was banging on the table, shouting at top of his voice'

An intimidated customer complained of highly aggressive behaviour: ‘At one point (the manager was) banging on the table with his hand really loudly, shouting at the top of his voice, issuing threats of receivership.’

The manager added that he ‘wasn’t interested in helping the companies finish the project, only to get the money back for the Bank.’

In a separate case, when a customer sent a formal complaint by email about a member of staff, his concerns were ridiculed.

Instead of taking the matter seriously, the more senior manager forwarded the email to someone else saying: 'You may find this entertaining.'

Customer complains of bullying... and is threatened with bankruptcy

One customer complained of 'cynical and bullying tactics...which are frankly way out of order.'

Their relationship manager responded by threatening them with 'LPA receivership,' a form of bankruptcy for property firms.

Another customer, who ran a hotel business and suggested to RBS that he wanted to put it on the market for sale ahead of the busy summer period, was told that his strategy was being refused consideration until a valuation was conducted.

He then made a number of restructuring proposals, and instead of considering them respectfully, the RBS relationship manager emailed a senior colleague, saying: 'I'll save you some time... the answer is no on all points.'

How staff used the 'Kissinger school of negotiation' on clients

GRG staff boasted that they based their negotiations with customers on the 'take-no-prisoners' style of the veteran US statesman Henry Kissinger.

They referred to the strong-arm tactics deployed by the former US Secretary of State to drive up the price they were trying to force a small businessman to pay in order to buy back a stake in his company owned by the bank. GRG rejected an initial offer of £400,000, demanding instead that the entrepreneur hand over £2 million to regain control of his business.

'It's like the Kissinger school of negotiation,' wrote one banker. 'Don't open the first three letters and then read the fourth.'

Properties were undervalued - one FELL by £400k in four years

One valuation carried out by a third party firm at the request of RBS put a price tag on a property that was £850,000 less than one provided by a second, independent body. The second valuer was brought into play after the customer challenged the figure.

Customers' properties were frequently used as security against their loans. This meant that if a valuer found the property's worth had gone down, the customer might be in breach of the conditions of their loan, and would therefore incur higher fees.

In another example, a property was valued internally at £400,000 less than four years before. There was no evidence of any calculations to support the downgrading.