State ‘ready to offload RBS stake’

Chairman expects sale despite loss to taxpayer

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Alison Rose, the new chief executive, made her mark by announcing that the bank would change its name to Natwest

The chairman of Royal Bank of Scotland has raised expectations that the government is preparing to sell more of its stake in the bank, following solid financial results and an increase in its capital strength.

Sir Howard Davies said he expected the government to press ahead with “enthusiasm and energy” in reducing its holding in RBS.

The government could announce an intention to sell some of its 62 per cent stake in RBS alongside the Budget, which is due to take place on March 11 but could be delayed following the ousting of Sajid Javid as chancellor this week.

The hit that taxpayers would suffer from a sale could be blunted by a commitment to use some of the proceeds to fund the government’s investment plans, including potentially the creation of an infrastructure bank.

Sir Howard said: “We believe government policy over RBS is clear. They wish to pursue the sell down.” RBS’s preference over how to use some of its capital is to buy back shares from the government, Sir Howard added. The banking group has between £3 billion and £4 billion in surplus capital that it could use, analysts believe.

RBS has shareholder approval to buy back annually 4.99 per cent of its shares, a stake yesterday worth £1.29 billion. That would have to come with a separate placement of RBS stock by the government into the market in order to set the price for the buyback.

The government would make a heavy loss on a sale, having paid on average 502p a share to prevent RBS from failing during the financial crisis when the Treasury pumped in £45.5 billion. The last stake was sold for 271p a share in June 2018, crystallising a £2.1 billion loss for taxpayers.

RBS shares yesterday fell 15½p or 6.8 per cent to 213p after Alison Rose, the new chief executive, laid out more cautious targets for profitability. The bank will pay an ordinary final dividend of 3p and a special dividend of 5p, amounting to a total distribution of £2.7 billion, of which £1.7 billion will go to the government.

The taxpayer stake in RBS is managed by UK Government Investments, which also manages publicly owned assets such as the Post Office and Ordnance Survey, while the decision on when to sell more shares in the bank rests with the Treasury.

Ms Rose, 50, also revealed plans to slash the investment bank and said the RBS group would be renamed NatWest in a bid to shed its associations with the financial crisis.

“Today marks the start of a new era for our bank as we announce our new purpose — to champion potential, helping people, families and businesses to thrive,” Ms Rose said.

RBS reported operating profit up 26 per cent to £4.2 billion and profit attributable to shareholders of £3.1 billion, a 93 per cent jump from last year.

The change of the group’s name reflects the fact that 80 per cent of customers deal with RBS under the NatWest name, Sir Howard said. However, Royal Bank of Scotland will continue to be used by customers in Scotland.

Ms Rose, who became chief executive on November 1, will take the knife to NatWest markets, RBS’s investment bank, reducing its risk weighted assets from £38 billion to £20 billion. The reduction will involve job cuts from its 5,000 workforce.That will include reducing the size of its interest rates business, Ms Rose said.

RBS will link the pay of Ms Rose and her senior team to its new commitments to be purpose led. That will include structuring its long-term incentive plan according to those goals.

The bank also announced that Marieke Flament, chief executive of Mettle, its digital business bank, would also take over as the boss of Bo, its equivalent for personal customers. The move follows the departure of Mark Bailie, who had run Bo but is leaving RBS. He had competed with Ms Rose for the top job last year.