

RBS scandal law firm Clifford Chance to face inquiry

Fraud claim ‘overlooked’ in Clifford Chance review

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Clive May, owner of a bricklaying business, presented to Clifford Chance what he claims was evidence of abuse of the government’s enterprise finance guarantee scheme

Clifford Chance is facing an investigation from the solicitors’ regulator after a complaint that it overlooked an allegation of fraud during a contentious review of Royal Bank of Scotland’s treatment of thousands of small companies.

The Solicitors Regulation Authority told *The Times* that it was “likely” to launch a formal investigation after a small business owner accused the “magic circle” law firm of failing to act on detailed evidence that he had provided which he believes shows that RBS abused a taxpayer-backed loan scheme.

The allegations subsequently have been the subject of a lengthy police investigation. Detectives say that they have passed information to the Crown Prosecution Service for advice on whether fraud charges should be pressed against a former RBS employee.

Clifford Chance investigated RBS’s Global Restructuring Group in 2014 after allegations that the bank had systematically mistreated thousands of small and medium-sized businesses. While aspects of the report it produced were critical of the bank, the law firm cleared the lender of any serious wrongdoing.

The Clifford Chance report has since been described as a “whitewash” after a separate review commissioned by the Financial Conduct Authority revealed serious misconduct within GRG and said that the unit had focused on extracting income from struggling businesses that it had promised to help.

GRG was ostensibly a turnaround division for ailing companies, but nine in ten small and medium-sized customers were submitted to some form of inappropriate treatment, while one in six viable businesses placed in the unit experienced “material financial distress” because of its actions.

RBS had told customers previously that Clifford Chance had not found “any evidence of misconduct by the bank”. Clive May, owner of a small bricklaying business, was interviewed by the law firm as it was compiling its GRG report and presented what he claims was clear evidence of abuse of the government’s enterprise finance guarantee scheme.

He alleges that a £150,000 EFG loan was used as a precursor to reducing his company’s overdraft from £245,000 to £70,000. The company failed. Under the EFG, the government acts as guarantor on debt to viable companies that lack the security to get a conventional bank loan.

An RBS relationship manager asked Mr May, from Mold in north Wales, to remove valid security — a second home — from the application form for one of the taxpayer-backed loans in December 2010. The property should have disqualified Mr May’s company from securing the state guarantee. However, a second form that did not refer to the property was submitted to the business department by the RBS-owned NatWest, allowing the taxpayer-backed loan to be drawn.

The police were close to dropping the investigation in 2016 after they said they had “difficulty . . . proving a dishonest act rather than an incompetent one” but had a change of heart after reviewing internal RBS documents obtained via a court order. Mr May said he was “dismayed” that Clifford Chance had not found “any evidence of wrongdoing, despite the evidence showing otherwise”.

RBS repaid millions of pounds to the government in 2016 after an investigation by *The Times* revealed that the bank had been mis-selling EFG loans.

The lender will face difficult questions from shareholders at its annual meeting tomorrow over issues including branch closures, the resumption of dividends and the bank’s return to private hands.

It is understood that the Solicitors Regulation Authority’s supervision unit is due to open an investigation in relation to the Clifford Chance report after Mr May’s complaint. A spokesman for the authority said: “We can confirm we are likely to investigate, but are unable to comment any further.” Clifford Chance declined to comment.

The SRA has the power to refer firms or individuals to the Solicitors Disciplinary Tribunal, which can rebuke, fine or strike off practitioners.

There is confusion over the status of the criminal investigation, with the police having told Mr May that they had completed the investigation and had passed the file to the CPS for charging advice. However, the CPS says it has not received a full file of evidence from the police on which to make a charging decision and that it has written back to the force requesting an update.