

RBS loan victims get new route to compensation

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The bank admitted it had mis-sold loans after an investigation by The Times in 2015

Business owners who claim they were mis-sold taxpayer-backed loans by Royal Bank of Scotland will be given a new route to ask for compensation.

The Financial Conduct Authority has said that it expects eligible companies that allege they were misled into taking an Enterprise Finance Guarantee loan to be able to use the business banking resolution service, which is being established to give firms another way of settling financial disputes.

RBS has already run its own compensation process for the loans, but the regulator believes that some complaints may need to be reconsidered.

There had been an expectation among the seven big banks taking part in the initiative that people who had been through previous redress schemes would not be able to use the new resolution service to ask for a fresh view on their complaint.

The Enterprise Finance Guarantee was set up to give lenders confidence to support viable small companies that lacked the security to get a conventional loan. It has underwritten more than £3.25 billion of credit to tens of thousands of small companies. The scheme provides a

government guarantee to the lender covering 75 per cent of the debt. Crucially, this is solely for the benefit of banks, not borrowers, but RBS misled some owners of small companies by suggesting that they would be liable for 25 per cent of the loan at most and that the state would cover the rest.

In 2015, after an investigation by *The Times*, the bank admitted that it had mis-sold the loans and paid back £4.7 million it had wrongfully claimed from the government and £3.5 million to affected customers, or to their guarantors or insolvent estates.

The regulator did not say why it thought the complaints should be reconsidered, although RBS's compensation scheme has been contentious.

It is understood that the FCA does not anticipate a wholesale rerun of every complaint, but people who can produce evidence that the outcome of their past redress decision was not fair may be able to get a fresh verdict.

The FCA also wants thousands of business owners who claim they were mis-sold business loans by Clydesdale to be able to use the banking resolution service. The loans were embedded with complex interest rate swaps, which left companies facing ruinously high costs when rates fell during the financial crisis. Clydesdale, which is due to be rebranded as Virgin Money, had already conducted its own redress review and has settled some complaints.

Ian Lightbody, a campaigner for people who say that their businesses were wrecked by tailored loans, said: "I'm pleased mis-selling victims will have another route for redress, but we are not waiting around. We are currently securing finance for legal action."

The resolution service is due to be launched this year, but small business representatives who are helping the banking industry set it up have threatened to withdraw their support unless access is widened.

RBS and CYBG, Clydesdale's owner, declined to comment.