

## REGULATORY INTELLIGENCE

## Historic bank redress scheme in danger of collapse, business leader asks Javid to intervene

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A landmark redress scheme for small and medium sized businesses (SMEs) mis-sold financial products by seven UK banks faces collapse, unless the new Chancellor of the Exchequer intervenes to change its terms of reference.

Nikki Turner, director at SME Alliance, wrote to Sajid Javid on August 5 requesting he take action to avoid the "car crash" of the scheme collapsing.

The terms of reference for the Business Banking Resolution Scheme (BBRS) are those recommended by Simon Walker, who conducted a review for UK Finance into mis-selling of products, including interest rate hedging products, by its members. The seven banks are: Barclays, CYBG, Danske Bank, HSBC UK, Lloyds Banking Group, Royal Bank of Scotland, Santander UK.

Turner last week stepped back from participation in sub-groups of the steering committee set up to establish the BBRS.

In an email to members of the SME Alliance, Turner said she felt there was little point continuing with the ISG sub-committee, until such time as the Javid acted on her letter and confirmed that the terms of reference should be redrawn along the lines of those spelt out by Philip Hammond, former chancellor, in January 2019.

"For me, the biggest hurdle is eligibility and I have made the point repeatedly, and stated it publicly more than once ... that the eligibility criteria in the present terms of reference, do not work for us and need to be revisited. We feel so strongly about this I have suspended our involvement," Turner said in an email to members.

In a letter to Turner in June, John Glen, Economic Secretary to the Treasury, declined to intervene. Turner said Javid must do so now.

"I have told the ISG I feel [Glen's letter] is like saying 'I know you feel we are heading for a car crash over eligibility, but we will only address this matter after we have crashed'. Obviously, SME Alliance will not be in the car crash as we will walk away before it happens but, my point to the ISG, the Chancellor and anyone else who will listen, is that it doesn't have to happen. Our involvement and the [All Party Parliamentary Group Fair Business Banking's] involvement in the BBRS is, in part, to safeguard against any such eventuality by informing the ISG of what is really happening and making sure the SME voice is properly heard," Turner said in her email to members.

Despite her withdrawal, Turner said the BBRS has the potential to be of value.

"If it can iron out the conflicts of interest between the SME sector and the financial sector, we believe the BBRS will be a real force for good," Turner said in the email to members.

Jonathan Reynolds, Labour's Shadow Economic Secretary to the Treasury, said for the BBRS to be successful, it would have to give all businesses which believe they have been mis-treated by their banks the ability to put their cases.

"If the scheme is to be successful and begin to restore trust in banks, victims must have the opportunity to put forward their case where they feel they've been unfairly treated and have evidence to support that.

"That's why Labour in government would also set up a 12-month public inquiry into the finance industry — and we call on the government to launch that inquiry immediately alongside this scheme," Reynolds said in an emailed statement.

Lewis Shand-Smith, chair of the ISG, did not respond to a request for comment.

A spokeswoman for UK Finance denied the BBRS was in danger of collapse. She said the banks had committed to reviewing the eligibility criteria for the scheme, should a meaningful number of businesses fail to come forward under those set out in the terms of reference. The banks had also committed to a review of the BBRS once the historic cases were completed, she said.

HM Treasury did not respond to a request for comment.

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