

CYBG shares plunge as it becomes latest bank to be hammered by deadline-triggered surge in PPI claims

By [Press Association](#) Daily Mail

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Shares in CYBG have hit a record low after the bank warned it would take a hit of up to £450million on payment protection insurance (PPI) costs.

The Clydesdale and Yorkshire Bank owner said it had received eight months' worth of information requests in August, the final month leading up to the PPI deadline.

More than 340,000 requests were received over five weeks, and the group must wade through them to assess how many complaints will be upheld.

Shares in CYBG have hit a record low after it warned of a new £450million PPI hit

CYBG said it could not 'accurately determine the final outcome' of how many will lead to a payout.

It has estimated on a provisional basis that the PPI legacy cost will be between £300 million and £450 million.

Following the announcement late on Wednesday, shares in CYBG crashed by almost a quarter on Thursday morning.

The stock was at one point trading as low as 108.3p, down 22.6 per cent on the previous day.

Earlier on Wednesday, CYBG had warned of a 'material' cost from the recent frenzy of claims.

The industry saw a rush in PPI mis-selling claims before the deadline, with a pick-up in the last few months and a flurry in the final days.

Santander was forced to extend its deadline for claims to be submitted after complaints that its website was not working, which it said was due to high numbers of customers contacting it about PPI.

CYBG said it had received 120,000 requests in the final three days, along with 22,000 complaints.

Banks facing £56bn PPI bombshell as they are hammered by a rush of last-minute claims before August 29 deadline

By [Lucy White For The Daily Mail](#)

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Banks have been hammered by a rush of last-minute PPI claims that will cost them an extra £17billion.

The deluge of compensation demands lodged before the August 29 cut-off date is expected to bring lenders' total bill to more than £50billion.

The previous running estimate was put at £36billion, with analysts saying the final cost was 'well beyond people's expectations'.



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As the Co-op Bank became the latest bank to warn of a late spike in claims, shares in Clydesdale Bank owner CYBG crashed by more than 21 per cent after it revealed it had been hit with nearly 10,000 per day in the weeks before the deadline.

It came just a day after state-backed Royal Bank of Scotland said it was having to lock away up to £900million more to cover the stampede of claims it was also facing.

Dominic Lindley of think-tank New City Agenda said the final rush before the deadline meant lenders were likely to have to put aside £53billion overall – £17billion more than previously thought.

CYBG said it received 340,000 PPI compensation claims in the five weeks running up to the August deadline. It is expected to cost between £300million and £450million, on top of the £2.67billion it had already set aside.

Ian Gordon, banking analyst at Investec, said the admission was 'really quite shocking in terms of the anticipated damage'.

'The numbers are much, much worse than the market was expecting,' he said.



The turmoil saw its shares plunge 21.4 per cent, or 29.95p, lower to 110p, wiping £263million off the value of a 13 per cent stake owned by Sir Richard Branson.

Co-op Bank said it had received a flood of additional claims and said it would end up costing more than the £540.3million it had already accounted for.

PPI, or payment protection insurance, was designed to cover loan repayments if borrowers fell ill or lost their job. But many PPI products were sold to borrowers who did not want or need them.

Bank customers were encouraged to submit a PPI claim even if they didn't know whether they bought it. Gordon declared: 'I'm reasonably confident that it's been the worst single-issue value destruction of all time.'

Banks have so far paid out £36billion, with an average payout of £2,000 per person.

The Financial Conduct Authority set a deadline of August 29 to encourage potential victims to submit their claims, publicising it with adverts featuring a likeness of the character Arnold Schwarzenegger played in The Terminator.

But many in the industry have complained the claims process has been wringing the lenders dry.

Tushar Morzaria, Barclays' chief financial officer, last month claimed the lender was getting thousands of 'vexatious' claims via management companies on behalf of people who did not even bank with them.

Another bank boss told the Mail at least 90 per cent of PPI claims are fake, and of the 10 per cent which aren't, many had not been victims of mis-selling. Barclays and Lloyds declined to comment.

- Business Secretary Andrea Leadsom has urged banks to keep lending to smaller companies after Brexit.

• **Free money**

By [Alex Brummer for the Daily Mail](#) Published: 21:51, 5 September 2019

Payment protection insurance (PPI) is the scandal that keeps on giving.

Hard on the heels of the confession from Royal Bank of Scotland that it is setting aside a further £900million comes challenger bank CYBG, which has revealed that PPI is going to cost it a further £300million to £450million.

We are so used to impairments at RBS that another hit doesn't seem that important. It is embarrassing for outgoing chief executive Ross McEwan, who only a few weeks ago was signalling that the long legacy of the crisis was over and safe for him to retreat to a new job Down Under.

The problem is more serious for CYBG, which moved up the banking league table when it merged with Virgin Money.

The dividend is in the firing line, which explains the 20 per cent plunge in the shares. Bank investors must now brace themselves for PPI market leader Lloyds Bank and others to come clean.

Weaker players such as privately-owned Co-op Bank and Spanish-controlled TSB, still reeling from IT failures, can ill-afford setbacks.

PPI has been the banking system's own quantitative easing scheme, gifting more than £50billion to customers.

At the peak of payouts, one City firm attributed the boom in the new car market to the arrival of unexpected cash sums which funded deposits. Faced with plunging sales, hard-pressed car makers will be praying for more of the same.