Sir Richard Branson counts cost as Clydesdale Bank rocked by £450m PPI threat

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September 6 2019, 12:01am, The Times

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Investors in Clydesdale Bank headed for the exit after its announcement about a possible £450 million hit from new payment protection insurance claims, raising questions about its dividend and capital.

Shares in CYBG, the bank's owner, fell 21 per cent, or 30p, to 110p, extending its share price decline in recent months.

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Ian Gordon, an analyst at Investec, said that Clydesdale's new charge was "really quite shocking".

Clydesdale insisted that its capital was robust. In a statement on Wednesday evening the bank said that even after the provision it would retain a "significant buffer" above its regulatory minimum level of capital.

The new provision may prevent it from paying a dividend this year. Citigroup analysts said: "We expect CYBG to cancel dividends rather than raise capital at highly dilutive levels or materially slow growth."

They added that its share price slump was "a bit harsh" because there could be write-backs of the provision.

Some members of staff on the Virgin side were aggrieved about the latest PPI hit as their part of the business did not sell the insurance plans. CYBG, which also owns Yorkshire Bank and the digital lender B, is rebranding itself as Virgin Money. This requires the bank to pay an annual licensing fee to the Virgin Group.

PPI was sold on credit cards, personal loans, mortgages and store cards mainly in the 1990s and early 2000s. It was meant to pay out if someone became ill or lost their job but in many cases customers were unaware they had signed up, and policies contained exclusions for common health problems or were sold to people who could never claim, including the self-employed.

After lobbying by banks the Financial Conduct Authority set a deadline for new complaints of August 29. Banks have seen a rush in claims, with a rise in the final few months.

Clydesdale said an "unprecedented volume" of requests about possible PPI claims filed last month had required it to make a substantial new provision. The bank does not know how many requests will lead to valid PPI claims but has to look into each case.

The Co-operative Bank also said that it had received a "substantially greater volume of inquiries and complaints than expected". It will process these before providing an update on costs.

The Royal Bank of Scotland told the market on Wednesday morning that it would take a charge of £600 million to £900 million in its third-quarter results to cover higher than expected claims.

Lloyds has the biggest PPI bill at £20.2 billion after taking an extra £550 million at its half year.

New City Agenda, the think tank, believes the total industry bill could top £50 billion. It said RBS's statement showed it "received more PPI complaints in the last two months leading up to the August 29 deadline than it has typically received in a year". It added: "If this trend was repeated at other banks then Barclays would have to set aside around £1 billion extra and Lloyds Banking Group around £2 billion extra."