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## Lawyers step into RBS restructuring row



Ross McEwan, chief executive, is preparing RBS for an inquiry Simon Dawson/Getty Images

**Katherine Griffiths** Banking Editor

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Royal Bank of Scotland has hired PwC alongside two law firms to lead a fresh investigation into whether its restructuring division forced viable businesses to fail.

Denton Wilde Sapte, CMS Cameron McKenna and PwC will sift through tens of thousands of businesses put into the bank's Global Restructuring Group. The two companies have worked for RBS before but do not have strong ties with it.

The investigation by the Financial Conduct Authority that involves GRG has been extended until at least the end of the year. Ross McEwan, RBS's chief executive, hired the three firms to help to prepare the bank's senior management for the outcome of the inquiry.

Many, including some of the hundreds of contractors handling the reviews of swaps mis-selling cases for RBS and others, believe that the FCA will require the bank to launch a GRG compensation scheme.

That group is made up of experienced bankers who used to be relationship managers but have left the big banks and set up as contractors. They have been hiring themselves out to banks to help with time-consuming conduct reviews, for about £500 a day.

Their main area of work has been going through the cases of small businesses that claim they were mis-sold complex interest rate hedging products. Others are working on other issues, such as misleading small businesses about loans taken out under the Enterprise Finance Guarantee scheme.

GRG has been in the spotlight since Lawrence Tomlinson, an entrepreneur and former government adviser, published a report two years ago that accused the division of pushing often-viable companies towards default by charging excessive fees and revaluing their loan security.

RBS has denied that GRG treated businesses unfairly, but there are growing signs that its new management under Mr McEwan believes that the bank may have to compensate some customers.

If RBS does engage contractors to investigate GRG cases, in many instances they will be familiar already with the details because a large number of businesses that ended up in GRG have also complained about interest rate swap mis-selling.

That could cause concern, according to experts who have been involved in the swaps cases. Abhishek Sachdev, a derivatives expert who runs Vedanta Hedging, said: "It is concerning that the same contractors/consultants are going to be moving from the Interest Rate Hedging Product Review into a GRG review, because we have seen widespread and systemic failures of the way in which the IRHP Review scheme has been implemented at the customer level."

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 **Abhishek Sachdev** ▾

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