

Interest-Rate Swaps & Fixed-Rate Loans: Hidden Credit Lines

Mis-selling or the Largest Financial Fraud in British Banking?



An independent report exposing concealed credit-line risk, systemic fraud and regulatory failure across Ulster Bank, RBS and Lloyds.

Our Conviction: "The only thing necessary for the triumph of evil is for good men to do nothing" - Attributed to Edmund Burke

ENDORSEMENTS

“This report raises the most serious allegations which now must be thoroughly investigated. I applaud the authors for an incredibly important and significant piece of work.

During my final period in Parliament, I sought a debate on these matters and introduced the authors to BBC journalists so the evidence could be publicly examined. After meeting whistleblowers from the NatWest Group in Norfolk, I was informed that concerns had been raised internally about undisclosed credit-line risks within GRG referrals, yet customers were not made aware.

In the House of Commons on 18 January 2018, I expressed my support for the work of BankConfidential, including supporting whistleblowers from exposure risk stating:

‘The case was brilliantly pursued by Steve Middleton... He is now setting up, with others, BankConfidential — I declare an interest in that I am a patron.’

I also expressed support for Mark Wright, then my constituent and Director of BankConfidential, whose efforts to highlight alleged irregularities in reporting of the NatWest Group’s financial strength raised important questions.

On 3 July 2019, I told Parliament that I believed I had been misinformed by a regulator that appeared too close to the banks, which failed adequately to protect a whistleblower’s identity and had not made a crucial statement public.

Three actions remain essential:

- 1. A judge-led public inquiry with full transparency (including around the Asset Protection Scheme);*
- 2. Immediate protection for victims — particularly those affected by IRHP undisclosed risks and fixed-rate loans — through a pause on enforcement while cases are reviewed; and*
- 3. A truly independent compensation framework, separate from the FCA, to command public confidence.*

Whistleblowers and victims have shown great courage. They deserve justice, and the public deserves the truth. I urge Ministers, Regulators and Parliament to act.”

- THE RT HON SIR NORMAN LAMB

Solicitor, former MP and Minister and former Chair of the South London and Maudsley NHS Foundation Trust



“This report lifts the lid on one of the biggest financial scandals in history, clarifying how NatWest Group and its subsidiary banks Royal Bank of Scotland, NatWest and Ulster Bank as well as other banks, defrauded their own business customers before, during and after the global financial crisis of 2008.

The scam goes far beyond “mis-selling”. The process was an active fraud in accounting, legal and regulatory terms, so it seems external auditors and regulators were either negligent or complicit. In the build up to the crash of 2008, UK banks were selling their business customers interest rate hedging products and so-called fixed rate loans on an industrial scale. However, what previous regulatory inquiries have missed is that many of these had undisclosed, covert and hidden credit lines attached.

As a direct consequence of these hidden credit lines, many affected companies saw their credit ratings, loan-to-value positions on secured assets and ability to refinance shot to pieces — while individual bankers and the banks themselves profited at their expense.

In the case of NatWest Group, many affected business customers ended up being transferred to the notorious Global Restructuring Group, effectively a “slaughterhouse” or the bank’s wider “non-core” division, where many had their assets seized or were dismembered or were forced into insolvency. Despite the findings of all the regulatory enquiries held to date, and as the report makes clear their failures can be directly attributed to the fraud committed by the bank as opposed to any mismanagement or incompetence on the part of their owner managers.

I endorse the findings of the report and back Mark Wright and Stephen Middleton's call for action (the seven points in the foreword to the report).”

- IAN FRASER

**Renowned Journalist who helped expose the HBOS Reading Fraud
Author of “Shredded – Inside RBS The Bank that Broke Britain”**



“I support this report which lays out one area of several in which certain UK banks have clearly flouted the rules and would appear to be guilty of blatant fraud.”

- SIR ANTHONY STANSFELD

Former Thames Valley Police Crime Commissioner

**Strongly Supported Operation Hornet that successfully Jailed Bankers for the HBOS
Reading Fraud**



"As someone who has used derivatives since the 1980s to manage interest rate risk for some of the UK's largest banks I can confirm BankConfidential's most important allegations, namely, that the moment a customer entered into an interest rate swap or collar that the bank was required by regulation to mark a credit limit to cover the counterparty credit risk.

If this exposure was in effect secured by a charge over residential or commercial property, then the full exposure would generate a Risk Weighted Asset and this in turn requires a bank to hold regulatory capital against the risk. These exposures were thus always classified as hard credit lines by banks and included in loan to value security covenant calculations, thus damaging a customer's credit standing. Amazingly, the FCA has actively conspired to cover up these core truths since at least 2012, whilst 1000s of SMEs businesses and lives have been ruined by the damage done by these dangerous financial instruments."

- IAN TYLER

Cambridge Mathematician & Global Derivative and Treasury Expert



"As a derivatives lawyer with over two decades of experience advising financial institutions and corporations on complex financial instruments across multiple jurisdictions, including the UK, Ireland and New York, I have reviewed the BankConfidential report with professional interest. I can attest that its central findings are not only credible, but are directly supported by my own independent research within the Irish market. The report's core assertion—that these complex products were marketed and sold to SMEs and entrepreneurs as a form of risk protection—is a truth I have encountered repeatedly.

My research confirms that, far from mitigating risk, these instruments were deliberately engineered to transfer significant, undisclosed, and uncapped risk directly onto the customer. The mechanism was the concealed creation of a credit-line liability, booked against the customer's assets from day one. This contingent obligation was not a notional figure; it was a hard liability that directly impacted the customer's credit grade and loan-to-value covenants and pushed viable businesses into a state of artificial distress. The sale of products as "protection" when their fundamental structure achieves the opposite is a profound and fraudulent misrepresentation.

It is a profound tragedy that these banking frauds have pushed individuals to the brink, resulting in devastating loss of life, ill-health and destruction of families. As a legal advocate for justice, I believe this affront to human dignity demands not only our deepest sorrow, but a relentless and unwavering pursuit of accountability.

The work documented by BankConfidential is a meticulous and vital exposé of an orchestrated and systemic failure in both corporate governance and regulatory

oversight. The evidence presented closely aligns with the facts I have uncovered in Ireland and I endorse the report's conclusions without reservation. It is imperative that political and regulatory bodies now act on this information with the seriousness it warrants."

- LORRAINE MORRIS

**Capital Markets & Derivatives Lawyer (Ireland, England & New York State)
Irish Banking Inquiry Whistleblower**



"I worked with Mr Mark Wright for many years during my time as a Senior Relationship Manager within the Royal Bank of Scotland Group, where my role later included direct collaboration with the Global Restructuring Group (GRG) when it was operational. I witnessed them targeting cash/asset rich companies for profit and saw perfectly good businesses that had never missed a payment or exceeded lending limits (with known facilities), driven into the floor and ruined for bank profits.

With extensive first-hand experience of NatWest and RBS processes, systems, and internal governance, and having reviewed this report in depth on multiple occasions, I can confirm that its findings are accurate. It truthfully documents the deliberate and systematic asset-stripping of viable small and medium-sized enterprises (SMEs) under the guise of restructuring.

This was not an isolated failure of management or regulation; it was an organised, calculated programme of misconduct that inflicted immense harm on British businesses and communities. Every element described aligns precisely with what I witnessed from within the bank. Sadly, this report is 100% correct."

- NWG WHISTLEBLOWER

Expert on RMP Credit System



SUPPORT FROM THE BANKS OWN CUSTOMERS

"Having read the report with my bank's own staff contributing to the facts, I now fully understand why I was targeted, I'm shocked to the core. My businesses and life at that time deliberately destroyed for profit. My family broken. My health compromised for the rest of my life. A total disregard for valued social regeneration with thirty-five years of devotion to that work, they destroyed it, my business and life without a single note of regret."

- ANDI GIBBS

**Architect
Lost Business and Home due to Swap Hidden Credit Lines Forcing him into GRG**



"I have fought Ulster Bank for over 15 years, demanding explanations for the evidence I found on my files showing my manager was applying large extra debts to my business liabilities, called a Swap Credit Line. On a £775,000 loan, at one point we had an additional credit line debt of over £300,000 linked to it. My businesses were ruined, my health and family badly affected—I barely survived. I couldn't believe it when, in September 2012, after my bank manager took £119,000 from my business account without my knowledge to pay a swap "break cost," I was told I couldn't enter the Review because I had "never had a swap."

What was even worse was when the FCA having failed to address my initial complaint joined in that charade and also told me I couldn't enter the review when everyone else in the UK affected by these loan risks were getting compensation, apart from NI. The FCA's suggestion that they have let the bank review this and paid out just £2 million to solve the whole problem is nonsense. My own losses exceeded £2 million before you consider the personal effects on me and my family and losses related to my mental and physical health.

I am grateful that BankConfidential are now fully exposing this criminal conduct of Ulster Bank that ruined hundreds if not thousands of lives here, and even more so the complicity of the FCA. I feel to this point we have been ignored by the banks and let down by the regulators, the legal and judicial system. There must be a public inquiry and I call on MPs in NI, to demand justice for the NI victims of this fraud and cover up"

- VINCENT HURL

Businessman and Survivor of the Ulster Bank Fraud and GRG



"My own case demonstrates exactly what this report exposes. I was told an Enterprise Finance Guarantee loan would support the growth of my business — instead I had been given this because RBS/NatWest quietly recorded a £150,000 hidden liability through RBS Invoice Finance, in my businesses name, without my knowledge. That phantom debt, combined with the bank's withdrawal of working capital, led them to lay off risk on the Government Loan, but that 'loan of last resort', marked my company as a bad credit risk and eventually drove my company into insolvency — even though we remained profitable and paying our obligations. At the time I was pushed into insolvency over a circa alleged £40,000 HMRC VAT liability (when they inexplicably removed our time to pay arrangement), we had over £60,000 CIS credit lodged with HMRC.

The Times and BBC have previously reported on the systemic abuse of SMEs like mine, and MPs including Clive Lewis have publicly stated that if what happened to us is proven, it may be 'the largest theft anywhere, ever.' My own MP, Becky Gittins, continues to call for accountability, and in 2022 when I pursued the matter, criminal summons for fraud was issued against NatWest — establishing that my case met both the evidential and public-interest tests. Yet no one has been held to account.

The BankConfidential findings confirm this was not mis-judgment or mis-selling — it was a business model. Hidden credit lines, coerced guarantees, and manufactured defaults enabled

banks to rebuild capital after the crash by taking the assets, homes and futures of people like me. I lost a business I spent decades building, and my family nearly lost our home. The victims have paid the price for the banks' recovery. It's time the banks — and the regulators who looked the other way — were finally made to pay it back."

- CLIVE MAY

Bricklayer who has exposed more Wrongdoing at the NWG than the FCA

Lost business due to Hidden Credit Lines at RBSIF



"After more than 15 years and countless lawyers, barristers and so called experts, I only truly understood what had happened to my business with the swaps a few weeks ago, when I first read BankConfidential's report.

It showed me that we hadn't all been 'getting it wrong' as the Bank kept stating, the Bank had its own agenda and supporting us was not part of that. In a 2019 TV interview I described the process as a ..."Hopper, they fed you in and nothing came out", this report proves that.

- JAMES GLANVILLE

Care Home Owner whose Businesses were ruined by Swaps and GRG

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WHISTLEBLOWERS' REPORT

FOREWORD

We present this report with both resolution and personal conviction. We – Mark Wright and Steve Middleton of BankConfidential C.I.C. – write to you as former bankers-turned-whistle-blowers who have witnessed first-hand the human and economic cost of banking misconduct. Our purpose in this foreword is to set the stage for the evidence and findings that follow, and to speak directly to policymakers, regulators, and industry leaders about why this work matters so profoundly.

Over 17 years ago, Mark Wright the owner and Director at BankConfidential, spoke up to do the right thing and expose a serious market abuse within the Royal Bank of Scotland Group (RBS), now the NatWest Group (NWG). On 17 September 2008, two days after the collapse of Lehman Brothers, as global financial disaster loomed, RBS's Deputy CEO, Chris Sullivan posted an internal intranet statement falsely declaring that the bank was "well-capitalised" and in good health. This statement – made just weeks before a £45 billion taxpayer bailout – remained on the bank's intranet for months while RBS's share price collapsed and its true finances started to unravel. Tens of thousands of employees and investors were reassured by the misleading claims, promoted by Mark and his colleagues, as they were instructed to do.

Most staff being long term employees and loyal to the Bank believed the reassurances and retained their substantial shareholding in RBS, only to see that investment reduce in value by 90% by January 2009. Many of those loyal staff lost their life savings and then in January 2009 when they had suffered the maximum losses, the statement in question disappeared from the intranet.

When Mark blew the whistle on this misconduct – market abuse - the reaction from both the bank and its regulator was not to applaud his integrity but to retaliate and conceal that behaviour. Instead of investigating Chris Sullivan's statement, NWG's senior leadership - including Sullivan and General Counsel Chris Campbell, acting on behalf of CEO Stephen Hester and the board - denied that the statement had ever existed. When he sought help from his MP, Sir Norman Lamb, the newly formed Financial Conduct Authority (FCA) also denied the statement's existence.

within ten minutes of receiving Sir Norman's chaser email in late 2013, the FCA breached Mark's confidentiality by revealing his identity and allegations to RBS - believing he was still employed there - effectively painting a target on his back. Mark had already faced a campaign of retaliation inside the bank that isolated and broke him. After 25 years of loyal service, he had been forced to retire on ill-health grounds at just 42. His career, mental health and wellbeing were irreparably damaged.

The FCA not only failed to protect a key whistleblower, but actively misled both him and his MP, blocking his access to justice and the ability to challenge RBS's misconduct. Within six months of its creation, the FCA had suppressed vital evidence of wrongdoing that

contributed to billions in losses for NWG employees and shareholders and covered up serious misconduct.

In early 2017, Andrew Bailey, then FCA Chief Executive, told Sir Norman that Mark was “not a whistleblower because it hadn’t happened.” Yet just six months later, internal FCA records showed the statement had been located in 2014 and that FCA officials had privately accepted it supported Mark’s allegations. Despite this, senior FCA officer, Karina McTeague continued to assure Sir Norman that NWG had not found the statement and that the FCA had *“no reason to believe RBSG’s investigations were inadequate.”*

When these contradictions were exposed, it became known that the Market Abuse team had investigated the matter in secret and withheld that fact from both Mark and Sir Norman. Meanwhile, whatever action the FCA had decided to take, this was not reported publicly or to Sir Norman. Chris Sullivan who posted the statement and NWG General Counsel, Chris Campbell who denied it happened (as Mark proved) inexplicably left the bank almost at the same time later that year. However, no staff or customers affected by that Market Abuse have ever compensated.

In a later review, the FCA’s Complaints Commissioner, Anthony Townsend, found “no reason for action”, over the cover-up, despite admitting he could not confirm whether the statement he examined was either complete or genuine. The Bank and FCA continue to refuse to release the statement.

At a subsequent meeting in Portcullis House on 5 March 2018, with me, Mark and Sir Norman Lamb amongst others, Andrew Bailey insisted that *“everyone knew the statement was made by Fred Goodwin”* and that the Treasury Select Committee (TSC) had already reviewed it. The TSC later confirmed that they had never seen or examined the statement — it had merely been mentioned in passing during a hearing. When asked to clarify Bailey’s comments, the FCA replied that they *“did not believe Mr Bailey had said that”*, he did **and we can prove it**. This sequence of events exposed serious inconsistencies in the FCA’s account and raised grave concerns about the regulator’s transparency when dealing with Parliament and legitimate whistleblowing cases.

Only after years of pressure did the FCA issue a limited apology for exposing Mark’s identity — a hollow gesture that did nothing to repair the damage or acknowledge the years of deception that followed. Sir Norman Lamb later named the regulators in Parliament for their mistreatment of Mark Wright, stating on 3 July 2019: *“I was misled... and we have a regulator that is too close to the banks; that failed to protect Mr Wright’s disclosure or his identity... and that cannot or will not put a crucial statement into the public domain.”* (Hansard, HC Deb, 3 Jul 2019)

Sir Norman had previously recognised the integrity and determination behind this work, telling the House of Commons on 18 January 2018: *“The case was brilliantly pursued by Steve Middleton, who deserves enormous credit. He is now setting up, with others, Bank Confidential—I declare an interest in that I am a patron—to protect whistleblowers and expose wrongdoing.”*

BankConfidential was founded by Mark Wright and Steve Middleton as a direct response to the injustices they witnessed and endured.

Its mission is to protect whistleblowers, expose institutional misconduct and support victims of systemic financial abuse. Sir Norman became its first patron and has personally met whistleblowers whose experiences confirm the factual basis of the matters detailed in this report.

Their testimonies are consistent, credible, and deeply troubling. We remain profoundly grateful for Sir Norman's continuing support and encouragement as we have toiled to expose these egregious abuses of power within Britain's banking system.

Over recent years, BankConfidential has engaged with hundreds of current and former NWG employees, reviewed tens of thousands of internal files, and helped expose systemic misconduct across the Group, including:

- RBS GRG asset-stripping: Revealing how the Global Restructuring Group systematically dismantled viable small businesses for profit.
- Hidden swap credit lines: Exposing undisclosed credit facilities tied to interest-rate swap loans — the vast derivatives systemic fraud scandal that is detailed in this report.
- Ulster Bank fixed-rate loan fraud: Uncovering how Northern Irish firms were sold "fixed-rate" loans also concealing derivative credit risks.
- Invoice finance abuse: Documenting serious misconduct within RBS's invoice-financing operations through insider testimony, also relating to undisclosed credit risk.
- Regulatory failures: Demonstrating repeated failures by the FCA and other authorities to act on clear evidence of wrongdoing — replacing accountability with denial and delay.
- Signature-forgery training: Revealing that corporate-banking staff was instructed to forge customer signatures and upload them to internal systems.

Mark made dozens of disclosures to the FCA, including giving Andrew Bailey direct evidence of asset-stripping and default plans in NWG Non-Core and GRG, and naming a signature forgery trainer. To date he has not received **one whistleblower reference** or known of any investigation. We say that regulators must now be accountable; and we call for The Financial Services and Markets Act 2000 (FSMA) to be amended to end their near-blanket immunity.

Our revelations have not gone unnoticed. They have had coverage by the BBC, BuzzFeed News, The Times, the Independent, The Financial Times, Mail on Sunday in Scotland and other major outlets. Yet, despite all the reports and headlines, meaningful accountability has been elusive. The following pages are more than a record of institutional failure — they are a call to action.

We urge policymakers, regulators, and industry leaders to confront the evidence presented in this report and end the culture of cover-up and intimidation that has protected perpetrators for over a decade. We call on Parliament and senior regulators to act immediately by:

1. Launching a public inquiry - into swap credit lines, the Ulster Bank fraud, and distressed-unit practices (RBS GRG, Lloyds BSU), with full disclosure of the Asset Protection Scheme.
2. Protecting Ulster Bank victims - by halting all legal actions immediately.
3. Forming an independent oversight panel - liaise with APPG on Investment Fraud & Fairer Financial Services, victims' and independent experts - to appoint a compensation reviewer. The FCA must not direct the process but must disclose evidence. Given its failure to expose this fraud in 13 years and financial links to banks, financial institutions and NWG the APPG on Fair Business Banking cannot participate beyond giving evidence due to a conflict of interest.
4. Investigating Andrew Bailey's role - and the FCA's use of John Swift KC and Ashurst, whose 493-page review ignored/misinterpreted key conduct rules, witness and expert testimony and documentary evidence on swap credit-line risks and Ulster Bank misconduct.
5. Correcting the Swift Report - which misrepresented the scale of the swap-credit crisis — wrongly labelling 70,000 fixed-rate loans as unregulated "Tailored Business Loans" and excluding those carrying undisclosed swap credit lines, commissions, and related losses.
6. Investigating NWG GRG and Lloyds Banking Group (LBG) BSU asset-stripping - the handling of Asset Protection Scheme customer lists, and the activities of West Register.
7. Prioritising immediate relief - suspend all enforcement actions against Ulster Bank victims, swap and Fixed Rate Loan victims while an independent redress process is established.

BankConfidential's work since 2017 has been focussed on exposing the misbehaviour and frauds perpetrated against bank customers whilst providing pro bono support to bank whistleblowers and victims, as well as pressing for a credible route to justice.

THIS REPORT PROVES HOW THE USE OF HIDDEN CREDIT LINES AND THE SUBSEQUENT COVER UP LED TO THE DESTRUCTION OF TENS OF THOUSANDS OF VIABLE BUSINESSES.

We have paid the price for speaking up and therefore ask that consideration is given to providing immunity and protection for any bank staff who would be prepared to give crucial evidence in these matters, but fear risk of reprisals. It is still the mantra within NWG, as one of our whistleblowers was told, when undergoing whistleblower training; don't speak up 'if you do, they will hunt you down'.

We will provide detailed evidence to MPs, to an independent reviewer, and to any public inquiry. The facts in this Report are clear: every piece of evidence cited comes directly from NWG staff, documentary evidence and connected whistleblowers who want customers to finally understand the atrocious behaviours they were subjected to and now hope to see some measure of justice.

Stephen D Middleton
BankConfidential C.I.C.

Mark J Wright
BankConfidential C.I.C.

November 2025

EXECUTIVE SUMMARY

This BankConfidential R(Report) exposes the concealed mechanisms by which NatWest Group (formerly RBS Group) and its subsidiaries, including Ulster Bank, engineered and profited from the artificial distress of tens of thousands of small and medium-sized enterprises (SMEs) across the UK and Ireland. It demonstrates how hidden swap credit lines and those booked against fixed-rate loans without disclosure or necessity, enabled not just NWG, but all banks to mark-up risk, misstate profits, and rebuild capital after the financial crisis by extracting value directly from their own customers.

Between 2007 and 2012, undisclosed derivative-linked credit exposures were attached to interest rate swaps and ordinary fixed-rate loans. As interest rates fell, hidden liabilities were “marked up”, inflating the customers’ credit grades and triggering forced transfers into the banks’ “restructuring” divisions—most notoriously, NWG GRG. SMEs’ solvent, cash-positive businesses were harvested for fees and assets rather than supported. Even inside GRG, banks continued to extend credit lines for swaps and hedging, while denying legitimate working capital. The motive was profit, not protection.

The Report traces how four major reviews - the IRHP Review, the GRG Review, the FCA’s GRG investigation and Ireland’s Oireachtas Banking Inquiry - each failed to uncover or disclose the derivative frauds, despite the evidence being visible in loan files and RMP records. It details how regulators and government agencies deliberately confined the scope of their audits and reviews, excluded Ulster Bank from Irish and UK scrutiny, and ignored whistleblower testimony, including that sent directly to Andrew Bailey when CEO of the FCA in February 2017.

It also documents the systemic targeting of profitable, asset-rich businesses whose cash and collateral were drained through contrived “recovery” programmes. The GRG Review, designed only to assess post-transfer conduct, became another regulatory smokescreen: pay-outs were insultingly low, often capped at £500–£1,000, while the root cause—the fraudulent credit-line manipulation that forced the transfers—was never examined.

In Ireland, as an Irish supervised institution, Ulster Bank was considered by the Oireachtas Banking Inquiry, but was not classified as a “covered institution” (a bank guaranteed by the Irish government under the 2008 Bank Guarantee Scheme). This impacted the depth and scope of questioning applied to its representatives during the hearings. When capital markets and derivatives lawyer, Lorraine Morris raised multiple concerns about how the Inquiry was being conducted, the Oireachtas instructed counsel Senan Allen, to undermine her professionally and personally, rather than engage with her concerns and demands for evidence, ensuring banking frauds remained buried.

The conclusion sets out the economic and moral case for restitution. SMEs represent 99% of UK businesses, employ around 60% of the workers and generate half of private-sector output, compared with a banking sector contributing under 9% of GDP and 3% of employment. Yet it was SMEs who paid for bank recapitalisation through fabricated defaults and asset seizures. As Clive Lewis MP said of SME abuse in Parliament, *“If it is indeed that big, it may be the largest theft anywhere, ever.”*

This Report demands the return of circa £40–£50 billion, likely more, wrongfully taken from SME customers — with interest. Like PPI redress after 2008, it would not be redistribution but restitution: the restoration of stolen money, trust, and truth. It is a call for accountability — and for the rebuilding of integrity in British banking and regulation.

We dedicate this work to the thousands of SMEs and entrepreneurs who lost their businesses, homes, and, in far too many cases, their lives — people driven to despair by the shame that dishonest bankers and regulators heaped upon them, falsely blaming SME and consumer greed and mismanagement for failures in truth born of financial corruption and fraud by failed banks and greedy bankers, facilitated by inept and corrupt regulators that is still covered up today.

And in memory of A.J.D., one such victim whose story always reminds us why this fight must continue and had he lived would I believe, have been a long-term friend as his widow has become.

SMEs PERFECT STORM – UNDISCLOSED COMMISSIONS, CREDIT LINES & CREDIT DOWNGRADES

Did the NatWest Group Harm Customers for Profit - A Confidential Risk Analysis

1. Commercial Loans and Loan to Value

When a bank loaned an SME money for a shop, office, land or a building project, it normally wouldn't lend the whole amount. A common rule was that most banks including the NatWest Group (NWG (the Bank)) would lend up to about 70% of what the property was worth.

So, if a businessperson, we'll say Janet wants to buy a factory for £2 million, the Bank will lend her up to £1,400,000 and she must put in £600,000 of her own money. That £600,000 is her "skin in the game."

This lending limit is called the Loan-to-Value (LTV) limit. It means the Bank wants to be sure its loan is safe because there is a cushion of value in the property if the customer defaults and the property has to be sold to recover the mortgage. The Bank writes this rule into the loan documents, and it watches carefully that the customer doesn't borrow more than this safe percentage.

If Janet borrowed £1,200,000 and put a deposit of £800,000 down, her LTV would be 60% and she could potentially borrow up to another £200,000 and still be under the acceptable LTV level, she would believe at that level of borrowing that she was a good quality credit risk, low risk even.

When Janet wanted to buy the factory the Bank would appoint an independent Royal Institute of Chartered surveyors (RICS) valuer to set the market value, the Bank wanted to lend to make profits so the result would usually be positive. The valuer would agree it was worth £2 million. That value then became the market and security value and the LTV would be set at 70% or £1.4 million.

The loan was secured against the property with something called an "All Monies Charge" (AMC). That means the Bank doesn't just take security for the £1,200,000 loan — it also secures any other money Janet might owe the bank now or in the future. This can include overdrafts and other loans, which all add up when the Bank tests the LTV limit.

Inside the NWG's credit system called the Relationship Management Platform System (RMP/S), the property value and all the "hard" debts (loans, overdrafts, mortgages) are recorded, on the customer's credit file. If alongside the £1,400,000 mortgage Janet also had a £200,000 overdraft and went over her agreed overdraft limit, that extra borrowing is added in and might then risk pushing her total borrowing above the 70% LTV limit.

If that happens, the system flags up a warning, and the Relationship Manager (RM) will call Janet to say, *"You need to put money in straight away."* If she doesn't, she will be in breach of her loan terms. That can lead to a default, a demand for full repayment, or being transferred into the Bank's special distressed business or alleged 'turnaround' unit, the NWG's Global Restructuring Group (GRG).

This is why it was vital that customers knew what was being counted towards their secured borrowing and how close they are to the 70% LTV ceiling, particularly when financial downturns then limited available credit.

2. Interest Rate Swap - Why the Customer Was Being Sold Risk, Not Protection

When a business customer applied to take a loan, the Bank would tell them: *“You should take a swap to protect your loan in case interest rates go up.”* That sounded like insurance, but it wasn’t.

A swap is not part of the loan. It’s a separate derivative contract with the bank (they are called complex financial instruments by the regulator), not part of the loan. It swaps the current base rate which can vary (floating) with fixed payments, meaning the Bank and customer take opposite views on future interest rates. From day one however, the Banks swap products created extra liabilities for the customer, to create an immediate profit for themselves — risks that were never disclosed or explained.

The Bank told their customer Janet: *“Would you like to swap your variable interest rate (base rate) for a fixed one? That way, you’ll always know what you’ll be paying.”*

It sounded simple — like trading an unknown for a known. If the deal had been struck at the real swap market rate (say 5%), then it would have been a fair bet:

- If interest rates went up, Janet would win — she’d be ‘in the money’, the Bank would be out of the money.
- If interest rates went down, the Bank would be in the money and the customer vice versa.

That’s how a swap is supposed to work — one side wins, the other loses, depending on how rates move. But in the period from at least between mid to late 2007 to 2011-12, that’s not how the Bank set these up. From the very start, it was not an even playing field.

The information and examples in this Report are based on documentary evidence from NWG credit files, NWG complaint and legal cases and testimony from many ex/ current NWG employees and whistleblowers including treasury salespersons, derivatives auditors and Corporate RMs. The practices stated to operate at that time mainly relate to commercial loans from the NatWest, the Royal Bank of Scotland and the Ulster Banks, the main commercial banks in the NWG.

Here’s how it worked:

- If Janet borrowed £1,200,000 for 10 years’ interest only at 2% over the UK base rate and base rate was 5%, her loan costs would be 7% each year, or £84,000 in interest.
- The Bank says: *“Fix your rate with a swap to protect you when rates go up.”* But they quietly add their margin. Instead of 5%, Janet is told the swap rate is 5.4% or 5.5%.
- That small extra margin makes the Bank an immediate hidden profit — about £50,000–£60,000 over the life of the deal (put simply similar to added margin x expected interest rates x term) but the Bank books that profit up-front on day one. Janet doesn’t see it.
- On the Bank’s books, this profit is called “Added Value” (AV), it’s basically an upfront commission. For Janet, it means her swap is already worth less than she paid —

known as a “Mark to Market” (MtM) loss and she would have at least that amount to pay to exit the trade.

The Bank staff told Janet there was “no upfront cost” to the swap. That was not true. That cost was hidden in a secret credit line facility the Bank set up in her name. That credit line was then secured against her property — just like an overdraft or mortgage — effectively a secret commission, but Janet was never told it existed.

So instead of protection, Janet has taken on a second, invisible debt from day one, basically a second undisclosed mortgage, created only to boost the Bank’s profits. And it didn’t stop there:

- The Bank also estimated how much worse Janet’s losses could get in future if rates moved against her. These future losses were called “Potential Future Exposure” (PFE).
- The AV (the bank’s day-one profit) plus the PFE (possible future losses) were both booked by the Bank as a hard liability against Janet’s account.
- That liability counted towards her Loan to Value (LTV) risk, even though she never borrowed a penny of it.

The Bank later tried to argue with customers and in court cases that these were only “internal risks” on their own balance sheets, and that customers didn’t need to know. But these hidden swap credit lines were in the customer’s name, not the Banks. They were real liabilities and secured against the customer’s property and going forward they would directly affect whether their lending was judged “safe” or heading towards default.

In plain terms: Janet thought she was buying an umbrella in case it rained. What she really bought was a hole in the roof.

3. Customers’ Contingent Obligations & Credit Record Risk

Janet thinks she has one big loan: her £1,200,000 million mortgage. She knows that is secured against her £2 million value factory, but her RM has secretly added something else to her credit record. The AV and future credit risk, this is called a contingent obligation — a figure that says, “This customer already owes us the AV value (commission) and *might* owe us more in the future because of the swap.”

Here’s how it works:

1. From day one, the Bank books its hidden profit on the swap (by adding a small percentage to the actual market rate, say 0.5% (the Added Value)). That’s Janet’s first unseen liability.
2. Next, the Bank calculates how much worse Janet’s losses might get in the future if interest rates fall. That is called Potential Future Exposure (PFE).
3. Then the Bank adds a secret cushion of 15–20% extra on top, so it doesn’t need to ask head office for approval to increase the credit limit every time rates move a little.

So, Janet's "Contingent Obligation" = Day-one commission (from added margin (AV)) + Potential Future losses (PFE) + Extra cushion.

Although Janet knows nothing about this, that number is then recorded on the Bank's system as a hard credit line (a firm, committed credit facility with a real risk and obligation), labelled an Interest Rate Hedging Product ("IRHP") or Interest Rate Protection ("IRP") credit line.

It was treated just like her mortgage or overdraft — a hard debt secured on her property. When rates fell, the swap's mark-to-market and future-exposure numbers jumped. The RM would then ask the credit team to raise the swap credit limit. To be fair to the RMs, that was the process they were told to follow. They weren't derivatives experts and were advised by compliance that this was an internal Bank risk measure, not something the customer needed — or was entitled — to be told about.

That bigger number however, was added to her total borrowing figure in the Loan-to-Value (LTV) test.

Although she was never told this, in practice Janet's swap created a second hidden mortgage that could tip her over her LTV limit, trigger a default flag, and push her into special measures and GRG.

4. Worked Example - Janet Buys a Factory in December 2007

What Janet thinks she's agreed:

- Factory price: **£2.0m**
- Loan from NatWest: **£1.2m**
- That's **60% LTV** – comfortably under the 70% limit in her loan contract.
- Loan cost: **Base rate (5.5%) + 2% margin = 7.5%** interest.
- Bank suggests a swap to "fix" her rate. She agrees at **6.0%**, not realising the true market swap rate was circa **5.5%**.

Janet thinks; *I'm borrowing safely under the limit and fixing my rate for certainty.*

What really happens (behind the scenes):

- Because the Bank fixed her at 6.0% when the market was about 5.5%, it locked in a day-one profit margin of roughly £50–60k—the present value of that 0.5% spread over a 10-year swap at a ~5.5% discount rate.
- it would then usually take a hedge out or rely on existing hedge pool trades to protect itself -so if rates rose, the hedge, not the Bank, would wear the movement risk.
- The Bank also works out Janet's possible future losses if rates fall. Rule of thumb = 3% of the £1.2m **swap notional = £36,000**.
- That's an internal **swap exposure of about £96,000** (£60k + £36k).

- To be “safe,” her RM is instructed by Bank guidelines to quietly add another 15–20% cushion leading to = **£110–115k total contingent obligation**.
- That figure was then recorded on NWG’s RMP credit system as a credit line, treated as a hard debt in Janet’s name secured against her factory.
- This is also the figure the Bank will rely on to report their security cover and the customers risk to the regulators.

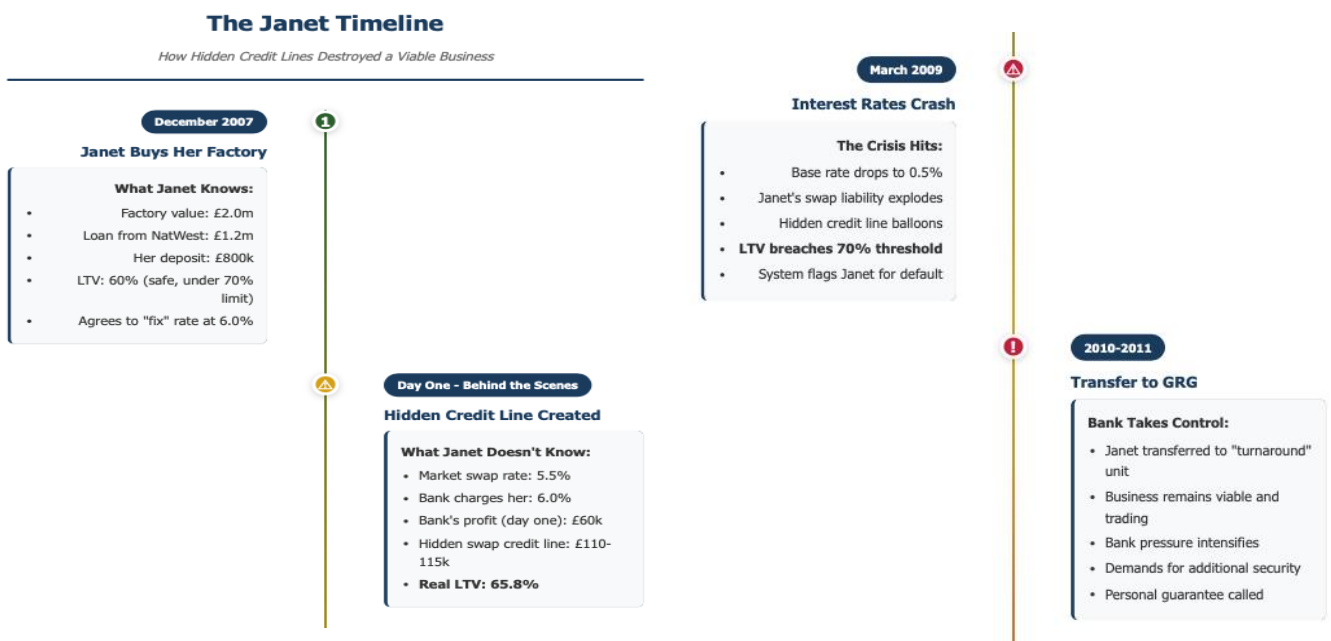
How this changes Janet’s Loan to Value (LTV):

- Factory value: **£2.0m**
- Visible loan: **£1.2m**
- Hidden swap credit line: **£110–115k**
- Total borrowing used in LTV test: **£1.31–1.315m**
- Effective LTV = **about 65.5–65.8%**

The reality for Janet (December 2007):

- On day one, the Bank pockets **£60k profit**.
- On day one, Janet unknowingly takes on an extra **£110k+ secured debt**.
- Her LTV is already much closer to the **70% danger line** than she realises.
- Swap rates come from the market’s forecast (the yield curve) — i.e., what today’s prices imply about where rates are headed.
- If the current curve is the same as when you started, your exit is roughly the day-one margin (because you’re still 0.5% “off-market” or “out of the money”).

She thinks she has a “premium free” protection, but she has “bought” hidden risk that eats into her safety buffer right from the start.



4. Did the Bank Really Believe Rates Would Drop

The market view on long-term rates in December 2007:

- Northern Rock had its run in September 2007. People then expected the economy to slow.
- By November–December 2007, markets were betting the Bank of England would cut rates in 2008 (from 5.75% towards about 4.5%).
- Short-term rates were jumpy day to day.
- Long-term rates (10 years and beyond) were drifting down, not up. When long-term bond yields fall, it means markets expect lower long-term interest rates.
- NWG's own internal Markets Sterling Strategy documents were forecasting longer term rates only going down from late 2007 onward.

So, it would be hard to say, in good faith, that the market and/ or the Bank expected long-term rates to rise in December 2007 and subsequently. The weight of evidence pointed the other way.

5. Who advised the SMEs to buy these Products?

According to the Bank and the FCA; no one.

They describe the sales as “non-advised.” In practice, between the 2007 and 2012 period (prior to the IRHP Review) very few firms in the UK were authorised and qualified to advise on interest-rate swaps at the time because of their complexity and risk. The few that were licensed, were generally linked to the banks as preferred advisers to their customers when advice was required. So, in the rare cases where SMEs were cautious about the product risks, and sought advice, it would usually pay to receive ‘independent advice’, from firms strongly affiliated with the banks, who conveniently forgot to mention their conflicted position.

The Banks’ RMs and their markets colleagues promoted the supposed benefits of swaps as “no-premium” products, but they were not permitted to give advice: most lacked the necessary derivatives qualifications, and NWG markets teams did not hold permissions to advise Retail clients like Janet.

When rates fell and exit costs (break costs) were crystallised, customers such as Janet were told: “*we didn’t advise you; we only provided information—you chose to buy it.*” This was confusing to most SMEs many of whom were subjected to repeated sales pitches by the RM and Markets’ personnel, insisting that the product would be good for them and protect them from “interest rate risk”. Many RMs either through their own volition or pressure from the credit team made the swap product a Condition of Sanction (CoS) i.e. if you want the loan, take the swap, effectively forcing their customers to purchase a complex investment product, with undisclosed unlimited risk or lose the Bank’s support.

What they weren't told, then or later, was that the swap would also put a much bigger credit line risk (real "hard" liability) on their file—counted as extra secured debt—which restricted their ability to borrow more and dragged down their credit grade. So, when they finally broke the swap in distress or insolvency, they paid the exit bill (a swap break cost - covered by that credit line along with AV and additional future credit risk) and suffered from the hidden credit damage that helped push them there.

7. Why this happened — the incentives

In litigation brought by businesses who bought these products, the Bank told courts their staff and RMs didn't get paid for or benefit from pushing swaps, but that was nonsense. The pay plan was engineered for it and proved the opposite. Whistleblowers have confirmed, each referral to the NWG Global Banking & Markets (GBM) desk earned an RM a £500 "Ovation" shopping voucher, and when a swap sale completed, a slice of the swap revenue was credited to the RMs' bonus pot on the Banks' Compass system (which measured the RMs annual targets, performance against target and bonuses).

Because these deals were so lucrative, the NWG RMs' variable pay was later capped around 110% of base—so two or three decent swaps could lift a £60,000 salary to roughly £125–£130k in a strong year. That's a direct conflict: sales rewards for promoting complex risk products they didn't understand, while the official line said there was "no personal gain."

When preparing this Report, on asking whistleblowing NWG's corporate RMs to consider and verify these facts on the Bank lending practices, swap credit lines and potential RM income and bonuses from promoting swap products, we received an email from one which stated:

'One thing I don't know if I ever raised was the annual Outstanding Achiever's events. This was a fully paid trip for bank staff and their +1 s to go abroad on the banks money and have a lavish holiday fully paid including going to the likes of Monaco/ Paris etc. all flights, accommodation, food and excursions were covered.

So those that smashed targets due to them doing GBM deals (swaps) would go to these events. Normally it was the new business guys that went regularly.'

RMs were not only incentivised financially, but these products also provided the highest credits towards targets for the Banks' managers. Prolific swap promoters would be wined and dined with the Banks' executives on free holiday trips, as a reward for these sales.

To be fair to the managers, there is nothing unusual about a bank encouraging staff to promote group products—insurance, health cover, investments, and the rest. Cross-selling is standard, and it wasn't the RMs' job to be derivatives experts.

The responsibility for explaining costs and risks sat with the purportedly qualified advisers in the Markets Team and with Compliance. The problem wasn't that the RM mentioned a group product; it was that a product with complex risks like a swap—with hidden credit lines and break costs—was sold into SME banking as if it were simple protection, a positive

benefit for free, while incentives still nudged managers to refer and close the deals, even if their customers had no idea about the risks.

The RM did however always know that they were applying for and recording credit risk against their customers and increasing that secured risk and the customers LTV risk when instructed to, albeit being told and relying on assurances this was 'standard' banking practice.

8. What Happened when Rates Crashed in March 2009

In March 2009 the Bank of England (BoE) with HM Treasury's (HMT) support, reduced the UK base rate to 0.5%- and 10-year swap rates fell to circa 3.0%, so with 8.5 years remaining, how does that affect Janet's LTV Risk?;

- Gap to market: $6.0\% - 3.0\% = 3.0\%$
- $MtM = 3.0\% \times £1.2m \times PV(8.5y \text{ at } 3\%)$
 $PV_{8.5}(3\%) = 7.406 \rightarrow MtM = \textbf{£267k}$
- PFE: **£30–£36k**
- Internal swap exposure: **~£297–£303k**
- Credit file contingent obligation/ "IRP" credit line (with 15–20% uplift): **~£341–£364k**
- Effective LTV (if property still valued at £2.0m):
 $(£1.2m + £341-364k) / £2.0m = \textbf{77.1–78.2\%}$

So Janet is now in breach of her LTV clause, but what if the property value also fell 20% to £1.6m? In a basic 2009 stress test; that would take into account the £1.2m loan plus the £341–364k contingent obligation meaning at a property value of £1.6m Janet is now at 96.3–97.7% and she likely would have been transferred to GRG, where she would soon be pushed into insolvency so the Bank can get the credit risk off its books.

9. How the Swap crushed the borrower's credit rating

NWG uses two big dials to set your risk grade:

A) Leverage / LTV dial – Start (Dec 2007): headline LTV 60%. Hidden swap credit line on day one: about £110-115k effective LTV about 65.5–65.8%. After the crash (March 2009) the contingent obligation increased to about £341–364k giving an effective LTV about 77.1–78.2% (even if the property is still valued at £2.0m). That breaches a typical 70% LTV covenants and that's after previous swap credit line increases, had already used up any of Janet's ability to borrow any further funds.

B) Affordability / cash-cover dial - Without the swap in March 2009, base was 0.5% add the 2% margin and that's 2.5% on £1.2m or £30,000 per year. With the 6.0% swap the customer is fixed at 6.0% plus the 2% margin, equals 8.0% on the £1.2m loan, 96,000 per year. The incremental cash cost is now about £66,000 per year. The credit rating on

Debt-service cover (percentage income above debt cost) collapsed because interest expense jumps while income hasn't.

As rates and the market's forecast fell, the swap's hidden credit line on Janet's file got bigger. Inside the Bank that made her look riskier (higher LTV, worse grade), so policy said: pull back other borrowing to "cover" the extra risk—cut the overdraft, trim the card limit, shorten terms, add fees. To Janet—who paid on time and hadn't breached any visible limit—it felt like punishment for nothing. In truth, the computer was reacting to a credit line she was never told about, so every review ended with, *"we have to reduce your facilities."*

10. What that Hidden Credit Line does to Janet's Credit Grade

Those two dials — a higher effective LTV and weaker income-to-debt cash cover — both push up the Bank's internal credit risk grading for Janet's business, based on its Probability of Default (PD).

The NatWest Master Grading Scale (MGS) is a credit grading scale with 1 being the best to 26 worst, an SME borrower who might have sat around MGS 10 in normal times can be pushed several notches worse under this stress (e.g. into the high teens or early 20s). That sort of shift is what triggers a transfer to GRG/workout, higher fees, harsher terms and, very often, engineered default steps.

What if it's a longer-term loan? (25-year swap)

After the crash in March 2009, 25-yr market swap rates fell to circa 3.5%, and if the swap now had 23.5 years remaining, that would have a dramatic effect. In one such case we studied, the RMP files confirmed that in 2013 on a £5.2M loan and swap traded in 2009, there was a swap MTM/ break cost of £1.89M but the contingent obligation, the whole credit risk, was recorded on the RMP credit file at £3.8M, giving the customer (without their knowledge) a £9M total liability on the bank's systems. The customer's property was valued at circa £5.5M in 2013 when the IRHP Review was started, so the customer believed they were okay as being a GP Practice they had a 100% LTV limit.

If they had the funds available, they could have paid circa £1.44M to exit the deal (break cost) but if they didn't have the funds, they faced bankruptcy with the total £9M credit liability. They couldn't have gone to any other bank because they would also have to provide the same £3.8M credit facility and all the banks wanted to free up capital, not take on more capital risk.

11. Reduced Credit Grade — and the Bank Wants You off Its Books

To see how swap customers might be affected by the hidden credit risk in real terms, we are enclosing a screen print from an internal NWG report on SME credit grading and default risk from circa 2013.

Master Grading Scale (MGS)				
S&P Rating	MGS	PD Low	PD High	PD Mid
AAA	1	0.000%	0.006%	0.003%
AA+	2	0.006%	0.012%	0.009%
AA	3	0.012%	0.017%	0.015%
AA-	4	0.017%	0.024%	0.021%
AA	5	0.024%	0.034%	0.029%
AA-	6	0.034%	0.048%	0.041%
A+	7	0.048%	0.067%	0.058%
A	8	0.067%	0.095%	0.081%
A-	9	0.095%	0.135%	0.115%
BBB+	10	0.135%	0.190%	0.163%
BBB	11	0.190%	0.269%	0.230%
BBB-	12	0.269%	0.381%	0.325%
BB+	13	0.381%	0.538%	0.460%
BB	14	0.538%	0.761%	0.650%
BB-	15	0.761%	1.076%	0.919%
B+	16	1.076%	1.522%	1.299%
B	17	1.522%	2.153%	1.838%
B-	18	2.153%	3.044%	2.599%
B	19	3.044%	4.305%	3.675%
B-	20	4.305%	6.089%	5.197%
CCC+	21	6.089%	8.611%	7.350%
CCC	22	8.611%	12.177%	10.394%
CCC-	23	12.177%	17.222%	14.700%
CCC	24	17.222%	24.355%	20.789%
CCC	25	24.355%	34.443%	29.399%
CCC- to C	26	34.443%	100.000%	40.000% <i>manual (interpolation of exponential PD curve)</i>
D	27	100.000%	100.000%	100.000%

Source: RBS Pillar 3 Disclosure 2013, P43, Table 22, "AQ band mapping to PD range"

As you can see from the above Table, if Janet was credit grade 10 BBB+ at the start of her loan, the default risk was an average of just 0.163%. When the effects on the interest rate decrease against the swap (fixed rate) took hold in 2009 at a reduction to credit grade 20 and credit grade B, that risk could increase to over 5%. It was the decrease in her businesses credit grade, caused by the undisclosed second mortgage debt/ credit line, that forced it into a distressed position, put the business under credit pressure and then led to its transfer to GRG and the ultimate destruction of the business.

In the Table, think of the numbers on the NatWest Master Grade Scale (MGS) as a weather forecast for the next year that a farmer relies on. Grade 10 means a storm chance (PD – Probability of Default) of about 0.16%—roughly 1 in 625. Grade 20 is over 5%—about 1 in 20. That doesn't sound like much, but it's a 30× jump in your default risk. If the forecast of weather risk to a farmer's crop shifts from 1 in 625 to 1 in 20, they wouldn't carry on as normal—they would consider carefully how to change their plans to reduce or avoid that risk, and the losses that might ensue. The Banks were no different.

Inside the Bank, that credit risk decline doesn't just sit on a chart, due to the additional credit risk: prices go up, available credit shrinks, terms shorten, fees rise, extra security, Personal Guarantees (PG) or cash is demanded, undrawn credit lines get removed, covenants get picked over, and a hand-off to GRG becomes likely.

That's why the hidden swap credit line mattered so much: it squeezed the LTV and cash cover as we've already explained, nudging you from Grade 10 "fair weather" to Grade 20 "storm risk." On paper it may only be 0.16% versus 5% plus; in real life that's the difference between a routine review and a fight to keep the doors open.

Once you're pushed into GRG (that's grades 23 to 26 on the bank's scale), the Bank's own chart says your chance of default over the next year isn't tiny anymore, it's roughly 15% at the lower end, around 20–30% in the middle of that band and with the top grade treated as

near-certain to default. So even if you keep paying your loan on time, the Bank now must park a lot of “safety money” against you. You become expensive to keep, and they start looking for a way out.

That same internal spreadsheet spells out why default becomes attractive to the Bank. In plain English, if they pull the plug on a GRG-rated loan, the bank's key “safety cushion” the capital ratio looks better. Think of it like a scoreboard—writing off a risky loan may lose some money initially, but can make the scoreboard improve. The document even says GRG loans are managed under “a different strategy” and that defaulting loans in this band would increase the capital ratio.

12. What Risk Weighted Assets and Core Capital mean

Think of Risk Weighted Assets (RWA) as the Bank's risk weight for a loan — how “heavy” it is. A safe borrower is light and easy to carry; a risky borrower is heavy. Core capital is the cash cushion the bank must lock away behind each loan, the real money they have available to support their business. The heavier the loan (higher RWA), the more capital the bank must park and the less it can lend to others or use to make profits elsewhere.

Regulatory Pressure on the Banks Amplified the Problem

To be fair to the banks, new tighter capital criteria in Basel II landed in January 2008 and changed the rules just as the crisis hit. Overnight, loans were weighed by risk much more finely: when the economy turned, customers' grades slipped, their RWA shot up, and the same £1 of lending suddenly needed more core capital behind it. Raising fresh equity in 2008 on was hard and costly, so management were pushed to shrink heavy (high-RWA) assets, shorten terms, raise margins, take personal guarantees, or exit weaker borrowers. In simple terms: the regulator asked for bigger cushions at exactly the moment the car hit the pothole—so the drive to cut risk and free capital only intensified.

13. The Real Swap Credit Grade Risks

Janet had a £1.2m, 10-year loan at +2% but also the swap. So, when rates collapsed in 2009; her loan costs stayed high, so her cost of the cash looked weak and the swap's hidden credit line ballooned, pushing up her LTV and dragging her credit grade down, pushing her into GRG and almost certain default at a risk on the bank's scale of circa MGS 24.

At that grade the Bank treats Janet's loan as very heavy, costly, difficult to support. Relying on the Bank's own internal numbers, by circa 2012/13 a £1.2m Grade-24 case ties up roughly £360k of the Bank's available core capital for the loan, plus about £100k more for the swap's contingent line — call it circa £460k of capital parked, just to keep Janet in business.

Why a Personal Guarantee (PG) helps the Bank

If the Bank could get Janet to agree to a Personal Guarantee (PG (usually mandatory for NWG customers in 2008)), a good PG (if the SME owner had their own home and/ or other assets covering the risk), did two things for the Bank:

a) While the loan is alive: It improves expected recoveries if things go wrong. That lowers the modelled loss (LGD), which reducing the RWA and reduces the capital the Bank must hold.

b) If the loan is defaulted: The Bank can use the same security and the PG to collect both the loan shortfall and the swap break cost, if not from the business property sale, from the customer's savings, home or any other assets they own. That means less loss for the Bank — and if the loan is defaulted, the RWA disappears on recovery, so the £460k capital tied up in Janet is freed.

The longer the swap, the bigger everything gets: the Bank's RWA, the hidden credit line and the swap break cost, if things go wrong. That makes the PG far more dangerous — because when the swap is long, the bill is larger, and the chance of the customer losing savings or even their home is higher.

14. Who this affected most

The long-term swaps/ fixes hit hardest in farming, land/ property owning, and some NHS-subsidised organisations—especially GP practices and medical centres. NWG would often lend up to 100% of the build cost for new surgeries but tied that loan possibility to the requirement for a long-term swap.

What that meant for a GP practice with 100% LTV cover:

- The swap was long and heavy. Its hidden credit line sat on the surgery's record like extra debt, pushing LTV towards (or over) covenant limits, sometimes in months or the first few years.
- The Bank commonly required each GP partner to be named on the swap or to sign personal guarantees. So, the undisclosed swap credit risk was secured not just on the surgery, but also in reality on the doctors' homes and personal assets.
- RMP credit files recorded that, on a swap default, all partners could be bankrupted. Some GPs delayed retirement for years and struggled to bring in new partners because of the swap 'break cost' liabilities (they had no idea about the higher RMP credit risk).
- The British Medical Journal reported cases where GP practices were pushed to the brink—some forced to sell their premises—yet most received no redress under the IRHP Review.

Why the 2009 rate cut made it worse

When the Bank of England cut the base rate to 0.5% in 2009, the Banks' swaps moved more in their favour. The MtM values on those swaps jumped, so the trading books looked stronger (more assets on their side of the ledger). That helped their numbers and made raising money easier.

For SMEs it was the opposite. The same rate cuts blew up the "hidden" contingent obligation lines on their accounts, which the Bank counted like extra-secured debt. That

wrecked LTV ratios, pushed credit grades down, and made the businesses look toxic. Once that happened, refinancing was near impossible because no other bank would want to take on that huge undisclosed swap credit liability that was already making the SME toxic at the NWG.

Net effect: the rate cut shifted billions of credit risk off the Banks' balance sheets and onto SMEs. The Bank booked an asset; the SME carried the mirror-image liability plus 15-20% and was asked to back it with more collateral—even if every loan payment was on time, they just didn't know about it.

15. The Asset Protection Scheme - NWG & the Benefit of Personal Guarantees

A Portfolio of £342 Billion of NWG loans was the initial pool identified and ring-fenced in late 2008 to be transferred to the Government's Asset Protection Scheme (APS) that officially started in late 2009 (circa 12 months after the publicised bail out).

The APS was like an insurance to protect the Bank from customers' defaults but with a large excess, although it officially opened for NWG on 26 November 2009, by then, the Bank had formally split itself into two divisions, Core and Non-Core and begun running Non-Core down (offloading unwanted customers) from January 2009 on. Whilst there are some varying accounts of the size and how the Banks loss would work, in February 2009 the portfolio for the APS was stated to be £325 Billion and then at the start of the scheme £282 Billion because by then the NWG had already offloaded over £60 Billion of loans/ risk from Non-Core.

The Banks' Non-Core division consisted of customers the NWG no longer wanted to bank (be in business with), including the GRG customers, the criteria for being a Non-Core customer was identified using 5 tests;

1	Customer franchise	Weak customer Franchise
2	Returns	Returns $\leq$ 15% over cycle
3	Growth	Lower organic growth potential
4	Risk & Funding	Disproportionate use of capital and funding
5	Connectivity	Absence of connectivity with overall RBS Franchise

Put plainly: whether you "survived" as a business or kept your funding from the 'state owned' NWG, was about whether you were economical to keep in the new model, not whether your business was profitable or "deserved" support.

Why this hits swap/ FRL borrowers; once you add a swap or long fixed-rate (with the hidden contingent credit line) to a secured loan, your LTV headroom shrinks, your cash cover weakens when rates fall, your grade drops, and your loan becomes capital-hungry. That triggers No. 4 the "disproportionate use of capital/ funding" test.

Whilst politicians and the regulators later often referred to risks faced by 16,000 NWG SMEs officially classed as being in GRG, the truth was that circa 3 Million NWG customers were deemed “Non-Core” from late 2008 on, and they all were subjected to the same ‘run down’ tactics in that lending pool.

On default the Bank had to take a first loss itself, a £60 Billion write down (circa 20%) on that original portfolio, after that it was still intended they pay a further circa 10% of any further losses before the Government picked up the remaining 90% reduced portfolio value risk.

The Bank could however, include pre-31 December 2008 write downs and existing losses in 2009 in the first loss, therefore by the time the APS started they had already aggressively reduced the Non-Core portfolio by over £60 Billion (by offloading/ busting customers) no doubt contributing substantially towards that first loss limit. The next planned steps of extracting profit to recover those write-downs whilst being targeted to exit customers for capital risk reduction, created a toxic culture.

This was particularly evident in GRG and Clive Lewis MP said in a debate in Parliament on 18 January 2018, that rather than restructuring business customers in GRG they faced treatment *“more like an abattoir, where they were stripped and taken apart”*. What politicians didn’t realise is that hundreds of thousands more SME customers in Non-Core and the APS were facing the same handling. Non-Core was little more than a waiting room for that GRG asset-stripping abattoir.

That’s why PGs were so valuable on customers being transferred to Non-Core and the APS: in a default situation every pound the Bank recovered from the business property/ or through the customer’s personal assets via the PG was a pound not hitting the Bank’s own first-loss pot — and a pound less of the Bank’s 10% share, if losses ever went beyond that. In short, PGs reduced the Bank’s loss and protected its capital, even with the APS in the background, at the cost of the SME.

16. The Asset Protection Agency

With the APS came the Asset Protection Agency (APA), a board of senior bankers’, lawyers and auditors overseen by Slaughter and May. Slaughter and May advised HM Treasury throughout the crisis, including on the APS; Charles Randell was the Government’s lead external lawyer during the crisis and advised specifically on the APS. The Law Gazette of 5 January 2018 stated that Randell reportedly billed HM Treasury £32.9m for his work during the financial crash.

Others heavily involved were Andrew Bailey - working at the Bank of England through the crisis as Executive Director/Chief Cashier and Head of the Special Resolution Unit, then later he became FCA CEO (2016–2020) and Governor of the Bank of England (from 2020). Sam Woods worked at HM Treasury/ UKFI during and after the crisis period and later became PRA CEO & BoE Deputy Governor (from 2016). Nikhil Rathi served at HM Treasury (2009–2014) and is now FCA Chief Executive (since 2020). Mr Randell later served as FCA Chair (2018–2022).

When concerns were later raised about the APA and whether its involvement with GRG's activities should be further investigated by the regulators, by strange coincidence those same persons (apart from Rathi at that time) headed up the financial regulators the FCA and PRA and decided against that.

Documents disclosed to the High Court in *Morley v The Royal Bank of Scotland Plc* allegedly show that officials in the APA were involved in instructing GRG to withdraw customer support, even when the notoriously predatory GRG unit did not want to.

In particular, the APA reportedly instructed GRG to resist an economically viable rescue package for the distressed business and instead encouraged GRG to sell the assets at an artificially distressed price internally to the West Register property division of the NWG. It is also alleged that the HM Treasury agency exercised a veto over any banking re-financing decisions and effectively prevented RBS from discharging GRG customers from secured loans without its approval.

The facts are in relation to the APA's powers, particularly with larger customers the Bank:

1. Couldn't reschedule large customer's debt without the APA's approval.
2. Couldn't sell substantial assets without the APA's approval.
3. Couldn't let the customer bring in new shareholders/ investors without the APA's approval.
4. Couldn't lend more money without the APA's approval.

The Asset Protection Agency also had step-in rights whereby they could take control over the customer relationship at any time, from the Bank. These controls effectively placed the most troubled or systemically important exposures under quasi-government management. While banks still administered day-to-day operations, strategic decisions involving major risks were subject to APA veto or takeover. This meant the APA acted as a "shadow director and credit committee" for the riskiest parts of banks' balance sheets.

In truth, any genuine investigation into GRG's conduct would have required the regulators' executives to investigate themselves — their roles in designing and operating the APA and how those powers shaped SME outcomes. The further investigations did not take place however because in June 2019 in relation to NWG GRG the FCA announced publicly:

"The FCA also found no evidence that RBS artificially distressed and transferred otherwise viable SME businesses to GRG to profit from their restructuring or insolvency."

"The independent review did not find that RBS had deliberately made businesses worse off so that it could profit from GRG selling them off..." and

"We found no evidence that any member of senior management was dishonest or lacking in integrity."

We would suggest based on the content of this Report and the evidence we alone have provided to the FCA, and Mark Wright's and RBS whistleblowers' disclosures made to Andrew Bailey, those conclusions were just not possible.

17. Why defaulting Janet (in 2012) could be better for the Bank's Numbers

By 2012, Janet now in GRG and at MGS 24 despite never having missed a loan payment and still believing she had a low-risk loan of £1.2 million against her £2 million factory, just 60% LTV (as far as she knew) was now in that category of uneconomic to keep.

There was little/ no profit in the loan anymore for the Bank at the now low rate of 2%/ base, loan income (typical pre crunch margin), and the loan and swap kept circa £460k of scarce capital tied up (which Janet had no understanding of).

If the APS ended as planned in late 2012 and Janet was still in business, paying the loan and swap, the NWG would be left with that uneconomic high RWA and use of core capital again, but without the Government APS guarantee reducing the risk. However, if the Bank had a PG, had moved her to GRG, then forced a default on the loan and broke the swap, it could:

- Recover against the same security and PG for the loan and swap break costs;
- Class funds as clearing the loan first so little or no APS-eligible loan loss shows,
- After an initial relatively small capital loss on the loan default, reduce the residual RWA to zero on Janet and free up the remaining capital.

Freed capital was valuable. So rather than lending to the now artificially created high-risk Janet, instead they could consider providing new loans to lower risk customers.

At the Grade-10 credit risk SME Janet had started at, a new £1.2m loan typically without a swap needed just circa £50–£86k of capital, as compared to Janet's £460k (including the swap risk).

So, one Janet bank loan at Grade-24 could in theory after an initial default capital reduction, be swapped for a new good credit Grade-10 £1.2m loan — at higher, post-crisis margins, likely 4% over base plus, producing much higher profit than Janet's loan margin whilst freeing up much needed capital.

In reality however, very few new loans would be provided, because the NWG's key goal, set by their owners HM Treasury, was to reduce capital risk, between the Bank's credit risk systems and required Basel Capital Ratios, it gave them an incentive to end relationships with low-grade, "performing" customers, even when they might have a profitable business and had never missed a loan payment.

This was of course at the same time HM Treasury were demanding publicly that the bailed-out banks, the NWG and the Lloyds Banking Group (LBG) keep lending and supporting businesses.

18. How the Bank Could Benefit from Cashing in its Customers

Whether the Bank makes a profit from defaulting the loan, breaking the swap and calling all the debt in comes down not to recovery of the loan value, but against the book value of the debt. The book value is what the Bank still counts as being owed after it has already written down some of the loan because of the higher risk.

So, if Janet's loan was £1.2m and the Bank had written down the value because of the credit risk, it would have put a provision in its accounts leading to a new lower book value. In this instance due to the swap credit line risk creating an LTV breach, causing a transfer to Non-Core and the APS, then transfer to GRG and the resulting decline in credit grade, the loan would be on the banks' books at a substantially lower value say circa £780,000 or even less.

Why a "fire- sale" can still show a profit on the bank's books

People often say, "*the Bank lost money too,*" when a customer's property was sold cheaply. But the books simply don't work like that. Janet's £1.2m loan had already been written down substantially in the accounts to a book value of circa £780K when her grade fell (swap credit risk+ Transfer to Non-Core+ Transfer to GRG). She wasn't told that figure—it sits on the Bank's side of the ledger.

Now consider the Bank sells Janet's factory quickly for a fire sale value of £500K and, then calls on her PG forcing her to sell her home, after which she puts in all the sale cash, say another £400K. That's £900K back in real cash terms. Whilst that's £300K less than the loan amount, against the £780K book value, the Bank records a £120K profit on the day (£900K – £780K).

Once the case is closed, the risk weight drops to zero, and the Bank stops holding about £460K of capital against the loan and swap risk, which was always the target of the exercise for all Non-Core customers.

Janet loses her business, her factory and home—but the Bank still isn't done. After a quick, low sale and PG cash income from the sale of her home, they've now booked an exit profit and freed a large block of capital and that's before they demand the £300K shortfall.

Not only can they chase the £300K loan loss (and recovery costs) from any assets she has left, but they can also demand the break cost of the swap (also caught by the PG and All Monies Charge liability) even though she didn't know about that risk.

But why did the bank want to stop supporting her viable business. The spreadsheet below again explains the position:

Loan MGS	CT1 Capital Ratio	
15	-0.03%	
16	2.13%	
17	3.81%	
18	5.21%	For loans initially rated above MGS 23 (i.e. MGS 1 to 22), a Loan B default results in a decreased (worse) aggregate CT1C ratio in year 2.
19	6.54%	
20	7.99%	
21	9.56%	
22	11.06%	
23	12.26%	
24	13.03%	For loans initially rated between MGS 23 and MGS 26 (i.e. GRG portfolio), a Loan B default results in an increased (better) aggregate CT1C ratio in year 2.
25	13.24%	
26	12.68%	
> The table indicates a differential in strategy for loans within GRG (MGS 23 to 26) versus higher rated loans (MGS 1 to 22) held elsewhere within the Group		
> Default of loans initially rated between MGS 23 and 26 will result in an increase in the Core Tier 1 Capital Ratio (subject to the initial LGD and impairment losses taken on the loans at default)		

The internal NWG spreadsheet backs up why this was attractive. It isn't about customers who've stopped paying. It models "Year 1: Loans A and B, High Risk & Performing."

- Loan A: A Grade-24 GRG loan still paying on time—capital-hungry to keep.
- Loan B: The same loan if the Bank forces default—RWA drops to zero, the capital ratio improves, and only a small capital deduction is shown after provisions.

In plain English: once APS protection falls away, keeping high-risk GRG loans like Janet's would drag on capital. So, defaulting/ busting her business as a still-paying borrower could substantially improve the Bank's capital position almost immediately. The spreadsheet's A/B example shows exactly that strategy: push to default → release capital → report a better ratio, even where the customer had continued to meet payments.

19. But Surely There was no Profit in Forcing Swaps to be Broken

If a swap provider is hedging its trades prudently and checking its risk levels and exposure diligently, there would be no profit in forcing a customer to break a swap, although it would still be beneficial in terms of capital, remember the circa £100k extra being set aside to cover Janet's swap risk.

What should happen (if the desk hedges properly)

At the end of 2008, the Bank sells Janet a 10-year swap at 6% when fair market was 5.5%. The desk books its profit on day one (the 0.5% mark-up, roughly £50–60K on £1.2m). After that, the desk is meant to neutralise the Bank's own rate risk of rates going above 5.5% (back-to-back or in a pooled hedge). If that's done, then when Janet later breaks the swap, the cash she pays is largely offset by the cost of unwinding the Bank's own hedge. Apart from small credit/ funding tweaks and fees, there shouldn't be a fresh trading profit at break—the profit was already taken on day one.

When extra profit might appear (and why that's a red flag)

If the desk didn't hedge, or only short-hedged a long-dated swap, a break in a low-rate window can create extra profit for the Bank. Example: market moves 2.5% in the Bank's favour; a 10-year break cost is about £255K. If the desk hedged only 3 years, the hedge loss is circa £85K, leaving about £170K extra on top of the day-one margin. If a tranche was left unhedged, most or all of the £255K could drop into trading profit. That isn't good hedging; it's running market risk. Proper controls and risk audits should have prevented that.

What a NWG Whistleblower said about Derivatives and Audit Controls

A NWG derivatives auditor who whistleblow to the FCA told us they found large pools of SME-related derivatives left unhedged and, in places, mis-matched hedges against long swaps. They reported to the regulator an inability to properly assess these risks in what they described as a culture where senior management would ensure *"serious findings were downgraded or overridden"*.

One auditor report confirmed it was *"graded a 4... regraded to a 2... OVERRIDDEN"*, so a manager just manually altered the risk figure. When the auditor was shocked by this misconduct the false reporting was disclosed to the banks whistleblowing team *"Speak Up"*, but they immediately *"reported the issue back to the down grader"* leading to the dismissal of the whistleblower.

The whistleblower confirmed that *"front-office market-risk work was abandoned as expertise left,"* creating a risk of false assurance. They added that controls *"put in place under a FED ORDER"* were later *"disposed of as no longer needed"*, and that a high-risk audit was kept *"in-house so Ross [McEwan] wasn't informed"*. The same witness alleged bullying and harassment, sexism and racism as being systemic in that department with staff *"managed out"*, if they exposed risk or challenged the 'old guard' management.

If the Markets desk hedges properly, the only real profit on a swap is the day-one mark-up; when it is broken later, the hedge cost cancels the break cash-in, so there's no extra gain. However, if the desk under-hedged or didn't hedge at all, it would pocket the day-one mark-up plus an extra gain at break — and that extra only exists because the risk wasn't hedged properly. That whistleblower described portfolios of unhedged and short-hedged pools, which helps explain how those extra gains might have arisen in practice.

One practice we saw — often with tragic results — was banks collecting more than the true market break cost (MtM), sometimes claiming amounts up to the full credit-line value. In plain terms, that was theft. This was especially common when banks had already pushed a company or sole trader into administration. It was routine for them to install "tame" Insolvency Practitioners (IPs) and then hand over a single lump sum value for the customer's total debt. Conveniently, the IP would rarely check the figures — after all, why question the bank's honesty?

In one such case, a bank tried to force the sale of a family home through a personal guarantee, demanding around £200,000 when the real MtM was less than £100,000. It

ended in tragedy for that family. When I met senior directors at the bank to ask how it had happened, one told me:

“Originally we thought they were going to take a 10-year swap, but in the end they only bought a 5-year one and we didn’t adjust the credit limit.”

Regardless of that initial error (which would have continually impacted on the business credit risk), when I then asked who decided to claim the full credit line value in the insolvency — effectively an attempted theft of £100,000 — and whether this was common practice, the room went silent.

With such deeply underhand practices repeated across NWG and many other major banks in the way swap break costs were recovered, it is not implausible to think that a bank deliberately forcing customers into default might then seek to profit from their losses.

That is exactly what NWG did through its own property investment vehicles — the West Register companies — which bought up distressed assets from the very customers the Bank had pushed over the edge.

West Register Asset Stripping

Alongside the drive to break swaps and shed capital-heavy clients, GRG worked hand-in-glove with West Register companies, the Bank’s property arm, to acquire distressed customer assets at low prices. Leaked documents (BuzzFeed/BBC) and the FCA’s own report set out the incentives, processes and conflicts around GRG disposals and West Register purchases.

According to RBS/Ulster Bank managers we’ve interviewed—and supported by internal screenshots we hold— Non-Core and GRG teams were required before enforcement to check whether a customer’s property should be flagged to West Register so it could be lined up for acquisition. Internally, this was tracked on a West Register target list/ database (referred to us as ‘Remit’).”

In terms of the swap the short-hedge risk could be limited if the plan was to clear Non-Core borrowers by the end of 2012; in the worst case, the Bank could push a customer to break the swap and replace it after three years as a condition of “continued support” — something we saw evidence of in many cases.

Not many NWG’s SMEs survived more than 3 years in GRG with a combination of swaps, Fixed Rate Loans, Non-Core and GRG tactics, surviving for 6 years was almost unheard of.

20. Personal Guarantees How the NatWest Group Targeted Customers for Profit

The PG gives the Bank a safety net. If the property/ asset sale price is low, they can make up the shortfall from the guarantor.

Because customers are never told about the Bank's internal write-downs, Janet doesn't know the real target is £780k, not £1.2m.

So, from the Bank's side, a quick sale at £500k can be perfectly fine—the PG income tops it up to at least the book value, often above it—letting the Bank book a profit and free its capital, even though the customer's asset was sold at a steep discount.

Janet can't see why the Bank pushed to close her business and certainly not for a fast, low-price sale of her factory at 25% of what she believed the market value was, leading to the subsequent forced sale of her home.

Inside the Bank though, teams were targeted for those outcomes: a quick sale closes the file, books the recovery, and frees a big chunk of capital. On top of that, the Bank could make extra gains.

Sometimes it took a slice of any future uplift in the property via a Property Participation Fee Agreement (PPFA)—presented as the price of “ongoing support” or so-called mezzanine debt, in case the property sold for a profit.

In other cases, West Register companies bought customer assets at fire-sale prices and later sold them on for a profit. Internal RBS papers released publicly even referred to the need to send a “*victory email*” to the team involved when a client asset was successfully “*stripped*” from them by West Register in this way.

As reported by Bill Esterson MP on 6 November 2017, Clive May, himself a victim of another NWG fraud and cover up (see No. 36) who became one of the first public whistleblowers on the Bank's treatment of small businesses, told the BBC's Victoria Derbyshire programme about a customer who had taken his own life, leaving two young daughters.

The man's family later discovered internal “*victory emails*” circulated within RBS celebrating the seizure of his assets — ***“all this while their loved one was floating face down in the river.”***

Mr May's testimony highlighted not only the cruelty of the bank's internal GRG culture at the time but also how deeply personal the consequences of those practices became for families across the UK.

Alongside profit from the resale, these purchases also offered the Bank a quick balance-sheet fix. Once the customer's property had been acquired at a distressed value, the Bank could book it at that low figure, then later revalue it to true market levels once it sat safely within its own group accounts.

While NWG's SME customers were losing properties and assets worth billions, multiple West Register companies were making billions in profit — and the very Non-Core directors who were supposedly helping “turnaround businesses” and maintain liquidity, held shares in those companies and personally benefited from the asset stripping.

From late 2008 onward, after HM Treasury took control of the NWG, the goal was no longer to turn businesses around. It was to finish them off and capture their value — on the way out of the door

21. Who Benefitted from Fire Sales

We have seen contemporaneous evidence from an Ulster Bank case indicating direct conflicts of interest in GRG disposals. In one instance, a senior GRG director in Northern Ireland (NI) instructed one of the RMs to push a customer's property—marketed for over £500k, to be immediately listed at a reduction to offers around £300k or face repossession.

Within 48 hours that same director then submitted a personal offer slightly above £300k to purchase the property as a holiday home. We have seen screenshots of the advertising and offer and could verify and name of which senior GRG director was involved.

Separate audio recordings captured managers admitting that GRG RM's were applying for third-party mortgages (e.g. via Danske) in advance, enabling them to purchase their customers' properties at fire-sale prices when repossessed.

We have been given access to names, dates, contact details and supporting files on these behaviours. On a macro level however, we don't know who ultimately benefitted from West Register's fire-sale assets—HMT refuses to publish the underlying lists.

In Parliamentary Questions Martin Whitfield MP on 21st February 2019 asked the Chancellor of the Exchequer, if he would publish the following;

(a) focused assets covered under the Asset Protection Agency and

(b) focused assets underwritten by the Asset Protection Agency that were transferred to West Register between 2009 and 2012.

The question was answered by John Glen MP the City Minister who confirmed any request would be declined, stating:

'The detail of these assets is commercially sensitive.'

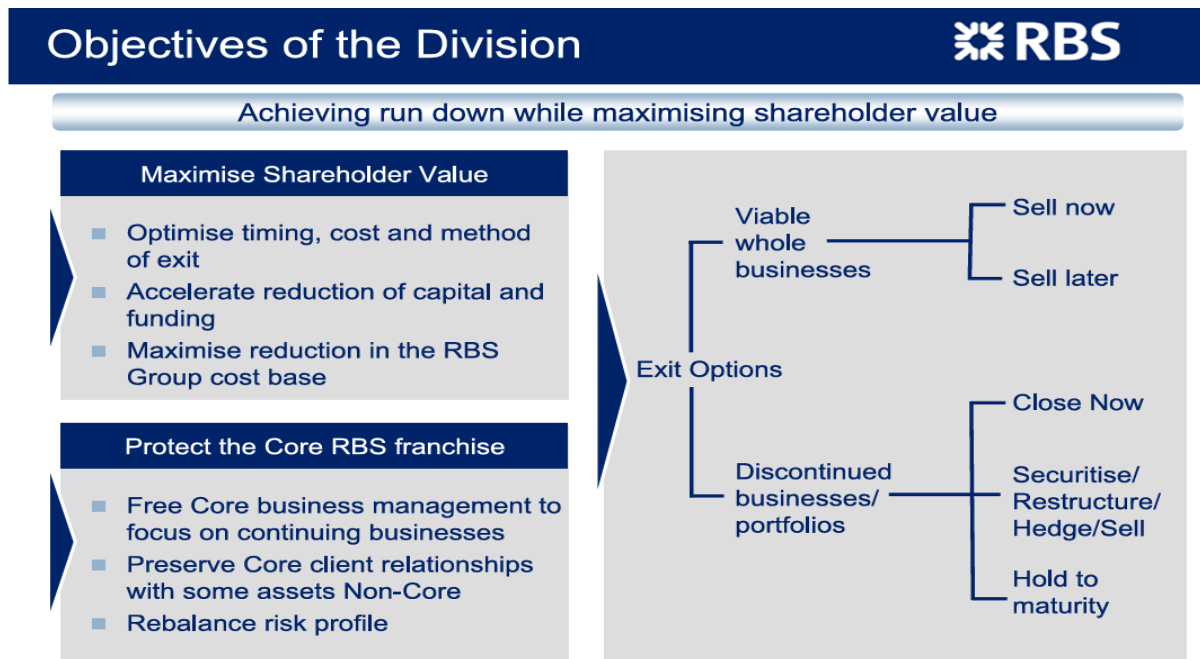
The APA's own reports confirm it oversaw large pools of "covered assets" during RBS's APS years but do not itemise which ones ended up with West Register, or where they went from there.

Press investigations have since described politically connected buyers acquiring distressed assets at abnormal discounts from state-controlled banks—for example, Corporate Jet Services' prime subsidiary being sold for circa £5m after an HBOS/Lloyds £100m+ write-down.

Just what are the Treasury & the NWG hiding when refusing to disclose to customers whether they were in the APS and refusing to disclose any audit trail of sales from West Register?

22. Did the NWG Really Intend to Harm its Customers for Profit

An internal Nathan Bostock (head of Non-Core & GRG) Presentation to the Non-Core Division “investor round table” in June 2010 confirmed that the Bank had a formal plan to run down and exit non-core customers and assets, with the stated aim of maximising value and improving capital.



There is nothing ambiguous here, the words ‘optimise timing, cost and method of exit’ of Non-Core customers confirm that if you were in that division the Bank wanted rid of you as a customer and that was from November 2008 on, following the public bail-out, when they had already identified which customers were not profitable and who they no longer wanted to bank, not from November 2009 when the APS formally started.

Bostock’s Non-Core slide (‘Achieving run-down while maximising shareholder value’) says ‘*preserve Core client relationships with some assets Non-Core.*’ That line can be read in two ways: either (a) split a customer—keep the relationship in Core while pushing certain loans into Non-Core for exit, or (b) use Non-Core disposals to strengthen favoured Core relationships. Based on the cases we’ve seen however, - farmland, development land, commercial property, hotels—all allegedly distressed Non-Core assets, if not bought by the Bank through a West Register company for NWG’s profit, were often sold at fire-sale prices to NWG Core clients, which is consistent with the second reading: how transferring Non-Core customer’s assets at a discount to Core customers helped to “deepen those relationships.”

We have been provided with evidence of senior policy makers later allegedly representing SMEs in Parliament also being in companies with ex GRG directors, attempting to buy distressed GRG customers’ assets at just the knockdown loan value.

On the Bank’s own documents, defaulting GRG borrowers to improve capital ratios; undisclosed swap credit lines that pushed borrowers into GRG booked as real liabilities and

being secured exposures on customer files; Non-Core's strategy to accelerate exits and the drive to maximise shareholder value—those facts make the FCA's later claims of 'no intent to harm or profit' in the NWG and specifically GRG not just untenable, but frankly deceitful based on the evidence.

23. Did Bank Executives Mislead Parliaments about SME Lending & Support

Whilst running down the Non-Core SME loans by the billions every month with HM Treasury's knowledge and approval, the NWG and its CEO Stephen Hester were disingenuously making the following comments in public:

- a) 3 Apr 2009 (AGM Hester): *"We owe our customers support in hard times,"* with a pledge of *"£16bn in new UK SME and Corporate lending"* in 2009.
- b) July 2009 (press quote): *"We are lending to business; they just don't want it!"* (Hester, discussing SME demand - Business Matters).

The opposite could not have been truer. Most 'new lending' was just older loans churned into newer ones with slight increases or variations. Project Merlin which was a commitment to the Government to lend to SMEs after the public support of the bail out, was aptly named, as whilst reducing lending to SMEs and busting and offloading SME debt, the NWG still 'magically' managed to hit new lending targets.

Even the Bank of England confirmed the Merlin target was not necessarily new lending but measured as "gross lending facilities" (i.e., lending applied for and approved), not net new money drawn. Independent analyses noted the Bank could hit the gross facilities target even while actual lending levels fell in 2011—consistent with renewals/ refinancing's counting towards the headline number. One case we looked at during that period had the same loan on one property, churned for slight increases or changes in term 6 times in 18 months, and the GRG manager of course took new fees on every occasion.

In fact, in some banks in the NWG it was even more dire. There were clear plans in place not to do any further lending to SMEs at all. One stark example is Ulster Bank, where the former head of a Business Centre confirmed to a Bank customer:

*'In mid-2010, I sat at Stormont with politicians and church leaders; **we were facing questions about the reasons for such high levels of suicides among builders and small firms.** We told the Assembly that we were lending as normal to all viable businesses. That wasn't true. Before we went in, as representatives from several mainstream banks we agreed we could not afford for any one of us to admit in these circumstances that, there was no lending taking place. So, we presented a united line and denied it.'* (emphasis added)

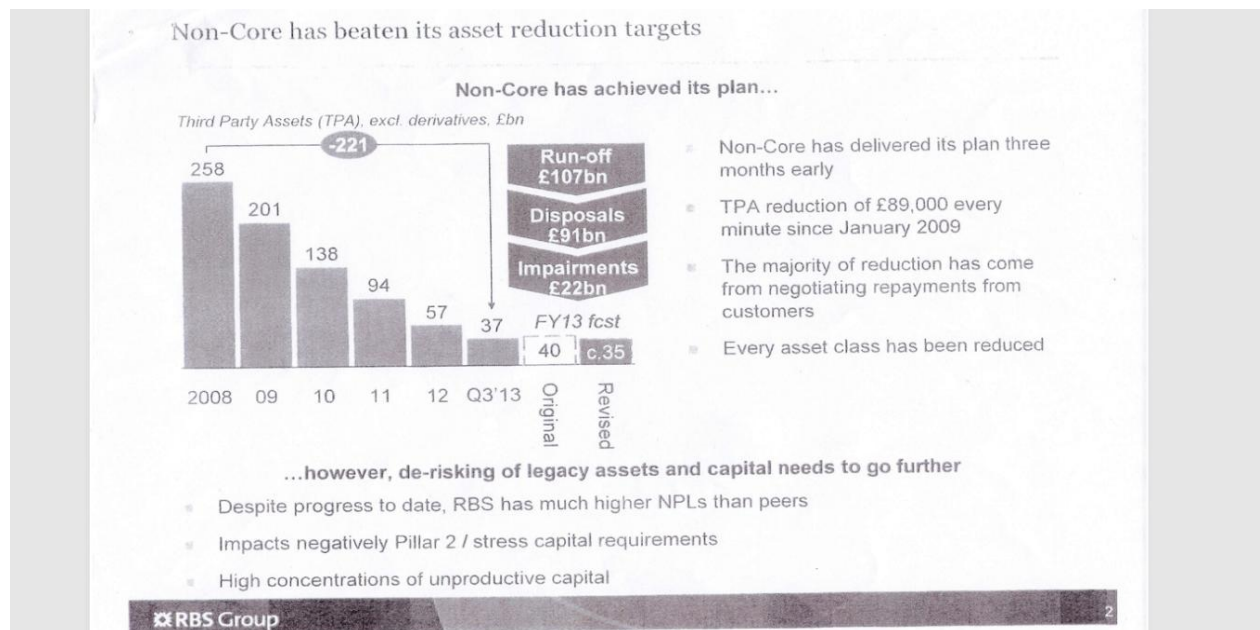
Other Ulster Bank RM whistleblowers confirmed that from January 2009 on there was a no new lending policy, but they were not allowed to tell their customers, and that as of then all the Ulster Bank SMEs had been transferred into the APS; Core customers alongside Non-Core, because the intention was to offload all of the Ulster Bank customers in the next 3 years and the RMs and their customers were all then under the control of GRG.

24. NatWest Group Executive Admission of Default & Offloading Customer Strategy

Rory Cullinan head of the Bank's Non-Core Division produced an internal Capital Resolution Round Table presentation on 5 November 2013 confirming NWG Group had since the bail-out:

- Worked with HMT and their advisers to identify high risk and capital-intensive assets (customers like Janet with property security and swap credit lines).
- Removed £89,000 of these Third Part Assets (TPA (customers + property)) from the bank **every minute** since January 2009.
- Continue to get rid of customers whose risk make the banks' capital unproductive to then use those funds in "profit generating activities".
- Had previously 'Worked out assets' (offloaded customers) for cash recovery over a longer period, but would now accelerate the 'run-down' of remaining 'assets', by bringing forward impairments (force defaults).

This confirms that the swap and fixed rate loan selling post October 2008 (after the bail out), insistence on PGs and the later intentional defaulting of GRG customers wasn't about protecting businesses or turning them around. From January 2009 on, these SMEs were a target to be de-banked or bust, consider the statistics in Mr Cullinan's report:



The Bank dehumanised the whole episode: they called busting customers and stripping their businesses mere "asset disposal." They even boasted of "Third-Party Asset reduction" — i.e. customers, companies, properties, and banking relationships ended — at £89K per minute over three-and-a-half years. That was the very period when mass public support kept NWG and LBG afloat, even as Stephen Hester and NWG executives claimed they were supporting and lending to these same customers.

NWG 'Support' for Mr X, a Successful Hotelier

The files in Mr X's case show in painful detail that GRG was not a hospital for sick businesses—it was a harvesting operation for healthy ones. The company in question had £500,000 cash in the bank, an unused overdraft of circa £300,000 and loan-to-value ratio barely above 50%, with a solid trading record. By every conventional measure it was strong, safe, and low-risk. Yet those very attributes made it a prime target. GRG did not seek to rehabilitate failing firms; it sought out those with assets to strip and liquidity to drain.

Within weeks of transfer, the RMs who had supported the business for years were replaced by GRG RMs who imposed immediate charges—management fees exceeding £300,000, monitoring fees, and “review” costs—each siphoned directly from the firm's cash reserves. The new team immediately removed the overdraft and refused to extend even minimal working capital to sustain operations, while simultaneously approving and booking new derivative credit lines for an interest rate swap, without disclosure, consent, or regulatory justification. Even under GRG control, where lending was supposedly frozen, the Bank would still extend credit exposure for its own trading instruments and profit—but not to support the customer's healthy business.

That single fact exposes the entire model. The business was good enough for GRG to gamble with its balance sheet, but not good enough to save. The undisclosed swap facility—recorded only in the Bank's internal RMP system—would have allowed GRG to mark up the customer's risk and extract hidden derivative income, if they could talk him into a swap, even as the operating company was starved of cash.

This was not rehabilitation; it was financial predation disguised as restructuring. GRG's victims were chosen precisely because they were profitable, cash-positive, and secure. By withholding genuine lending support and replacing it with synthetic exposure—swaps, fees, and valuations engineered for profit—the bank turned stability into vulnerability and converted prudence into a target. The result was not just the loss of a business, but the conversion of solvency itself into a revenue stream.

The Cullinan presentation claimed the reduction in customer's loans came from “negotiating repayments from customers.” That's fiction. Non-Core borrowers—especially those tied to swaps—couldn't repay and couldn't re-bank. The “reductions” were driven by forced administrations, insolvencies, and asset grabs at fire-sale prices—often by West Register or favoured buyers. It was a wholesale slaughter of tens of thousands of SMEs, profitable or not.

25. How the NatWest Group Repaid the Public's Support

SMEs were initially 'soft' profit centres for the Bank on the swap/ fixed rate sales, but due to undisclosed expanding credit risks, resulting in credit grade decline, they soon became capital reduction targets. In fact, in some cases as the interest rates and forecasts for future rates dropped rapidly by the time the loan was drawn down; the swap credit had already forced the customer into an LTV breach at inception, and on the credit files within weeks, they were already candidates for GRG.

The day-one swap commissions (AV), hidden credit lines onto customers' files, and later default mechanisms to collect swap break costs under the same security/ PG could then be utilised to free up capital and subsidise the NWG's APS costs/ losses.

Janet bought an umbrella for the rain, because the bank advised her to. The bank sold her one with a hole in it—then later said she was too wet to insure.

26. Just How Large Might the Hidden Credit Risks Have Been

Definitive totals are hard to pin down across banks and products. We know around 30,000 interest-rate swaps were sold to SMEs, with roughly 10,000 of those with over £10m notional (some in the hundreds of millions). Around 70,000 fixed-rate loans (FRLs) were also sold. We have no numbers at this time as to how many NWG customers were caught by the undisclosed RBSIF credit lines.

As we have confirmed the evidence confirms Ulster Bank applied internal swap-style credit lines to FRLs—placing the same RMP-type contingent obligation onto customers—and we have seen similar practices at Lloyds, but we don't have those numbers and despite several FOI requests, the FCA refuse to provide any clarification on the sales per bank for these products.

If we just look at the 10,000 IRHPs carved out as 'sophisticated', we can size some of the problem. Assume a typical £15m loan, 10-year term, and a conservative 28% swap credit-line ratio in March 2009: that's £4.2m per case, or about £42bn of undisclosed contingent obligations across that group alone—close to HM Treasury's £45.5bn equity injection into RBS/NatWest.

If all banks then routinely added a further 15–20% 'cushion' on those lines, as was NWG's practice, that's an extra £6.3–£8.4bn booked on their side—credit the customer never agreed, but which still counted in the bank's trading book and accounts and in the customer's LTV and risk tests.

And that's only the excluded 10,000. Add the other 20,000 sub-£10m swaps (some long-dated, with credit line liabilities approaching the loan value itself), the Ulster Bank fixed-rate loans with similar credit lines, comparable Lloyds cases, and the wider 70,000 FRLs, and you're looking at a wholesale, hidden SME credit burden measured not in millions but many tens—likely hundreds—of billions.

Banks didn't expect rates to plunge to 0.5% when these swaps were sold; if they'd only fallen to, say, 3-4%, Janet would still have faced a break cost in 2012, but nothing like the devastation that followed. Even so, the key point stands: the swap's credit line was real, secured on her property, and could explode if rates fell—and under FSA Rules and contractual rules that possibility had to be explained to her and agreed up front before she bought the product.

Why should Janet lose her business, factory, home and savings because she was sold 'Protection' by bank managers doubling their annual income by promoting these incendiary products?

27. Swap risk can blow up — and there's no built-in cap

Think of a pay-fixed swap as a promise: you agree to pay a fixed amount every year for many years. There isn't a safety stop on the "get out" bill. If long-term interest rates fall hard, the exit cost can swell toward the present value of all those future fixed payments. For scale, take Janet's kind of deal: £1.2m if fixed at 6% for 20 years is £72,000 a year. If the market curve sinks toward zero to one per cent, the present value and longer-term risk of those payments can sit in the £1.2–£1.3 million range—roughly the size of the loan itself.

That is why for all swap borrowers, but particularly on longer term trades, the "protection" was a second, invisible mortgage, that could force them into insolvency, but no one explained that was what had happened, because the NWG bank managers had been told that the credit risk was internal and not to disclose that to their customers.

When the hidden swap line pushed the true LTV over the limit, the bank manager wasn't allowed to admit that to the customer—so they were instructed to find another way to show a breach. The common route was a fresh valuation. The RM set a low "guide" number in the tender, and valuers, mindful of their PI exposure, tended to anchor to it. The result was predictable: the new report came in lower, the headline LTV (on the loan alone) now looked too high, and the customer could be moved to GRG. A NatWest RM whistleblower admitted to an MP that every GRG transfer they handled started with the undisclosed swap line causing the real LTV problem—but customers were never told that; instead, they were told it was because the property value had fallen.

Inside the Bank, the swap line wasn't just a back-office note, or a nominal figure. It was booked as a real, secured exposure—MtM + PFE, with a 15–20% cushion—and put on your file as a contingent obligation secured against the property. When they ran the LTV test, that line sat beside the loan. So a customer like Janet who thought they were at 60% LTV could suddenly look near—or over—the limit without borrowing a penny more.

Because the swap creates this separate, property-secured credit exposure, the rules and regulations in force at that time unequivocally said the risks had to be explained to the SME and agreed up front.

A. Regulations - Under the FSA's COB/COBS Rules providing legally enforceable statutory rights (COB 7 and COBS 14 specifically), state that information had to be clear, fair and not misleading, and key risks and costs—including early-termination liabilities and the bank's credit exposure—the margin credit or any similar 'obligation' had to be disclosed. If the sale was "advised", the product had to be suitable for the customer's situation, not just profitable for the bank.

B. Swaps Contract Rules - Under standard International Swaps and Derivatives Association (ISDA) documentation and its Credit Support Annex, the margining or credit-support terms—especially where the exposure was effectively secured on an illiquid asset-like property—had to be agreed by both sides before the trade. And under MiFID, complex derivatives could only be sold where the customer demonstrably understood the main risks and costs.

Put simply, you can't bolt a large, floating credit-line liability onto a property-backed borrower after the fact. In stressed markets that liability can rival the loan risk, crush covenant headroom, downgrade the risk grade, and push the case into workout units. Janet thought she'd bought certainty; but what she got was an uncapped bill that grew as rates fell—and a hidden credit line that the bank treated like real debt.

In plain terms: an SME with no derivatives experience **should never have been sold a long-term swap**.

28. Why this has never been exposed

The FCA knew—but the way the “fix” the Interest Rate Hedging Product (IRHP) Review was designed, meant the real problem never had to see daylight. In 2012, as the FSA rebranded to the FCA, the “new” regulator from inception acted like a new wolf in the ‘old wolf’s’ sheep’s clothing: it protected the banks and the City’s risk, not the customer.

Instead of applying its own rulebook and asking, “What did the customer need to be told before signing?”, it worked with the banks to create special “sales standards” for the Review.

The Skilled Persons were told to treat the swap credit exposure as an internal bank issue (as shown in Project Rosetta papers from the NWG Review). That neatly excluded the far bigger contingent obligations sitting on customers’ credit files — figures the banks were counting as extra secured debt.

Customers were not told that credit facilities had been opened in their names without their knowledge. They were not told those hidden lines covered hefty day-one commissions and profits. And they were not told these liabilities were the very triggers that later pushed them into GRG or insolvency. Full disclosure would have pointed straight at fraud and opened the door to serious consequential loss claims.

By doing it this way—particularly with NWG and LBG, both largely state-owned at the time—the regulator cleared a path for banks to issue tidy outcome letters saying the damage from swaps was “not foreseeable.” Review bosses, such as Simon Recaldin on NWG’s Project Rosetta, could sign those letters ‘allegedly’ with a straight face, because the rules of the Review had quietly fenced off the evidence that made the harm obvious.

But selling a small business a complex investment product with day one losses due to undisclosed commissions, hidden inside an undisclosed credit line, and with uncapped risk secured on its property, makes damage foreseeable by design. The harm was baked in from day one.

Warren Buffett famously warned that derivatives are “*financial weapons of mass destruction*”. If one of the world’s most renowned investors recognised the inherent dangers of these complex instruments, it’s difficult to justify why banks considered them appropriate for SMEs.

Business people, with neither the financial sophistication nor the resources to manage such risks, should never have been exposed to products that even seasoned investors treat with extreme caution.

The FCA Says It Wasn't Real — The Credit Files and Facts Say Otherwise

The FCA continues to claim these swap credit lines were only “nominal” figures for internal risk, not real liabilities. The example below — one of thousands we have — shows otherwise.

This £188,000 swap credit line from a NWG RMP file at A9 appears alongside loans, overdrafts, and cards as an active facility with its own limit, expiry date, and review. It is clearly included in the aggregate lending total of £1.41 million and forms part of the loan-to-value (LTV) calculations. This is not a notional figure. It is a hard facility and real liability, booked on the customer's balance sheet. The numbers add up - but the FCA's explanation does not:

Customers											
Ref	Cust Name	CIN Number	CIS Code	Comp Reg Number	AggLM (GBP)(K)	AppPD / ProPD	RLGD / FLGD	Sector	EWI Status		
A					1,409.947	27/-	2/2	Other	RED		
Facilities											
Ref	Account Type	Account Description	Account Identifier	Sort Code	Ccy	Nominal Limit(K)	Limit (GBP)(K)	Rec Cleared Bal (GBP)(K)	Revised Review Date	Expiry Date	Source
A1	Loan	Re-Finance Loan			GBP	743.747	743.747	743.747 DR		25/09/2031	Natwest
A7	Cards	One Card			GBP	2.000	2.000				Natwest
A8	Overdraft	Overdraft			GBP	18.000	18.000	17.565 DR			Natwest
A9	Interest Rate Swap/Hedging	10 year SWAP until 2			GBP	188.000	188.000			26/03/2020	Natwest
A13	Loan	Refinance Loan 2			GBP	458.200	458.200	458.200 DR		26/09/2031	Natwest

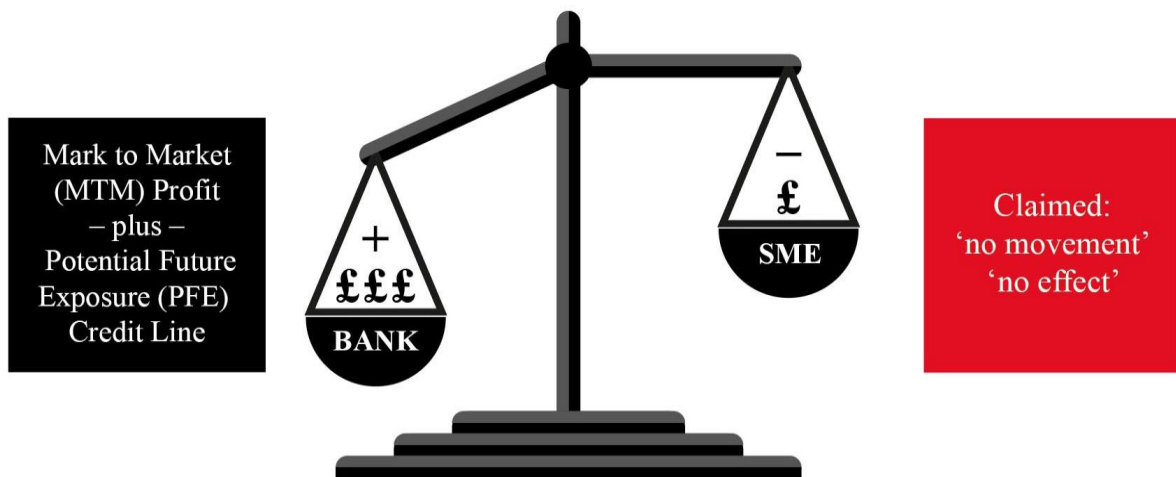
The Two-Pan Trick: The FCA Says One Side Profits While the Other Doesn't Lose

Whether it's swaps credit line liabilities/ risk (to cover margin calls) or the UBL Fixed Rate Loan Fraud credit risk, think of a swap like an old two-pan set of scales. When rates move in the bank's favour, coins are added to the bank's pan from the SMEs.

In real life those coins aren't imaginary: the bank books them as a receivable today (mark-to-market) and then adds more “future coins” (PFE) for what could happen next. On the other pan sits the SME.

By basic accounting, logic and by how swaps work, the SME's pan must move the other way: the same value shows up as a liability, recorded as a credit line/contingent obligation and, in practice, secured on the customer's property and by any PG:

Broken scales (claimed view): Bank pan drops with coin weight, SME pan stays level



Impossible under swap / accounting rules – one side's gain must mirror the other's loss.

You cannot keep adding coins to one side without taking them off the other. Calling that movement of funds (credit risk) “internal to the bank” is like claiming you can shovel money from the SME's pan to the bank's pan and the SME's pan somehow doesn't get lighter.

Calling it only a “potential risk” if you break the swap is wrong, because a break cost is just the cash number that *crystallises* the swap's current mark-to-market value. That mark-to-market exists every day: if you ended the swap today, that's what you'd owe today; if you end it tomorrow, it's tomorrow's number.

In other words, the liability is continuous and real—the exit bill simply crystallises it. Describing it as merely “potential” pretends the debt isn't there until you pay it, which isn't how swaps (or basic accounting) work, as the FCA know and all ‘banking expert’ lawyers, barristers and Judges also should.

This was a taxpayer-backed banking scandal; misconduct abused by all banks but mostly by state-supported banks, shielded by a regulator more focused on damage control than justice, leaving tens of thousands of SMEs sacrificed and many still denied the redress they are entitled to. But the cover up at the NWG did not stop there.

Yet the cover-up at NWG went further. It extended into the very framework of regulation itself.

29. The IRHP Review - Did the FCA Really Set Out to Mislead (the “Technical” Bit)

Between 2014 through 2016, I corresponded extensively with David de Souza, the FCA’s Technical Specialist and Lead Supervisor on the Interest Rate Hedging Product Review (IRHP Review).

According to Mr de Souza’s linked in profile, he states that:

‘Before 2014, he built a strong foundation in financial regulation and audit. He spent a decade at Grant Thornton UK LLP (2000–2010) as a Senior Manager, developing expertise in governance, compliance, and financial oversight. He qualified as a Chartered Accountant (FCA) through the Institute of Chartered Accountants in England and Wales (ICAEW) between 2001 and 2003, providing him with a deep technical grounding in accounting and regulatory standards.

He joined the Financial Conduct Authority (FCA) in 2010, initially as a Senior Associate in Retail Firms Supervision, before progressing to Manager, Specialist Supervision in 2013, where he applied his regulatory and analytical expertise to complex supervisory matters.’

Mr De Souza with his high level of “expertise”, was responsible for interpreting the FCA Handbook Rules in the IRHP Review and advising on how the banks’ reviews were to be assessed.

To anyone raising concerns regarding the Review process and/ or the Bank’s behaviour in that process, Mr de Souza was the face and voice of the FCA. De Souza’s correspondence however, reveals how he and the regulator deliberately narrowed the scope of the rules that were meant to protect customers.

In June 2016, I asked Mr de Souza directly whether the FCA had instructed RBS to ignore its Undertaking to assess compliance with the Regulations—COBS, SYSC and PRIN—and instead rely solely on the so-called “sales standards.” His reply was evasive, stating: *“We have clearly set out our views on the relationship between the sales standards and the regulatory requirements.”*

The key consideration was that all FCA registered firms were caught by a number of their Principles (PRIN) and the sale of complex financial instruments are controlled by the FCA’s Code of Business Rules (COB) pre-November 2007 and Code of Business Sourcebook (COBS) Rules post that period.

The Pro Forma Agreement and Undertaking, signed by every bank participating in the IRHP Review in 2012, required firms *“to assess compliance with the Regulatory Requirements, taking into account the Sales Standards.”* “Regulatory Requirements” was clearly defined as the Principles, Rules and Guidance of the FSA/FCA Handbook. In the case of NWG, this was signed by key executive Chris Sullivan, the same Chris Sullivan who had put his name to the NWG’s Market Abuse statement in 2008, misleading all bank staff and customers and leading to Mark Wright’s later exit from the NWG.

Mr de Souza's wording sought to imply that the sales standards themselves were sufficient. They were not. The Legal Undertaking required compliance with the Handbook—not a diluted version of it.

Commission (Added Value) & Risk Non-Disclosure – Allowed or Rule Breaches?

When I raised specific breaches, including the non-disclosure of commissions, the failure to test appropriateness, and the omission of contingent liabilities and margin credit, Mr de Souza replied on 6 June 2016 that:

"The rules do not require the disclosure of aspects that would normally be included within the total price of the product (e.g. costs relating to product manufacture including those referred to as 'AV')."

This was not correct. COBS 6.1.9R requires firms to disclose the *total price* of an investment, including all fees and commissions. Within RBS, the internal "AV" — the day-one profit moved between the sales desk and trading book — was exactly that: a commission. It funded bonuses for the market sales team and the introducing RM's.

To hide these profits and the related credit risk, the NWG Markets team routinely withheld the second page of IRHP trade confirmations, concealing both the exposure and the immediate gain. Only 1 page was provided and then signed as if that as the end of the confirmation:

This document is the Post-transaction acknowledgement - Please sign and return by fax on the number indicated below, to confirm the details are correct.

A legal confirmation detailing the entire terms of our agreement relating to the transactions will be dispatched to you. When you receive the confirmation you should ensure details are correct and sign and return a copy to the address set out therein. The complete confirmation should be returned by one of the following methods

Fax no - + 44 (0) 20 7085 4526
by post - Derivative Confirmations, 3rd Floor, 280 Bishopsgate, London, EC2M 4RB.

Should you have any queries, please contact us on + 44 (0) 20 7085 4015 or please email mirdclientconfirmations@rbs.com

Our fax number	020 7085 4526
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Product	Base Rate Geared Collar
Deal Number	IRG18-3ABC
Start notional	£2,000,000
Start date	08 Nov 2007
Maturity date	08 Nov 2017
Structure	See Attached
Additional Information	You have a Base rate Geared Collar. Your interest rate is capped at 6.00% and has a floor at 5.00%. If 3 month average Base rate remains within 5.00% and 6.00% you would pay the prevailing Base Rate. If 3 month average Base Rate is above 6.00% then Rbs will compensate you the difference to 6.00%. If 3 month average Base Rate falls below 5.00% you would pay one move above Base rate but capped at 6.00%. For example, at 4.75% you would pay 5.25%, at 4.50% you would pay 5.50%, at 4.25% you would pay 5.75% and at 4.00% you would pay 6.00%. If Base Rate is below 4.00% you would pay 6.00%
Rate	6.00% Cap 5.00% Floor 4.00% Lower Floor
Interest application	Quarterly
A/C Details (if applicable)	99690744 60-13-15

The above transaction excludes Bank lending margin.

Details confirmed as correct by:

Signature 

The Royal Bank of Scotland plc. Registered in Scotland No 90312
Registered Office: 35 St Andrew Square, Edinburgh EH2 2YB

The customer was asked to sign and return an acknowledgement of receipt of the trade confirmation and you will note that the wording is “the complete confirmation should be returned”, but this was not the complete confirmation as the evidence below proves.

This non-disclosure of charges and commissions/ added value was a clear breach of COBS 16.1.6 R, which requires that a confirmation include all costs and charges, and of COBS 14.3.2 R, which obliges firms to provide adequate information about the nature and risks of the investment and its associated costs.

In this case these details were all on the second page of the trade confirmation (as required), which were for the customer, as you will see from the additional information box stating, ‘You have a Base Rate Geared collar’, see below:

Post-transaction acknowledgement for Back Office and Traders

Deal Date	08 Nov 2007
Counterparty	[REDACTED]
Salesperson	[REDACTED]
Sales area	Leeds
Tel. Number	0113 397 2010
RBS or NatWest counterparty	NatWest
Deal reference	[REDACTED]
Product	Base Rate Geared Collar
Notional	2000000
Start date	08 Nov 2007
Maturity date	08 Nov 2017
Structure	See Attached
Additional information	You have a Base rate Geared Collar. Your interest rate is capped at 6.00% and has a floor at 5.00%. If 3 month average Base rate remains within 5.00% and 6.00% you would pay the prevailing Base Rate. If 3 month average Base Rate is above 6.00% then Rbs will compensate you the difference to 6.00%. If 3 month average Base Rate falls below 5.00% you would pay one move above Base rate but capped at 6.00%. For example, at 4.75% you would pay 5.25%, at 4.50% you would pay 5.50%, at 4.25% you would pay 5.75% and at 4.00% you would pay 6.00%. If Base Rate is below 4.00% you would pay 6.00%
Client rate	6.00 cap 5.00 floor 4.00 lower floor
Credit reserve	122.00
Contingent liability	267000
Premium paid	0.00
AV	47000.0000

The customer had been sold they believed, a “no-upfront-premium” swap; the only thing missing was the confession that a £47,000 premium had already been quietly tucked into the also hidden credit line, covering £267,000 of credit risk (+ 15-20%) — a sleight of hand worthy of a magician’s accountant.

Did the Rules Allow SMEs to Purchase these Products Without Advice?

This particular “interest rate protection” was a complicated product designed/ built mainly for the bank to make money and for the customer to lose it. It carried an immediate credit risk of £267,000. The sale was said to be *non-advised*, meaning the customer was supposedly acting on their behalf or ‘own account’ as a ‘counterparty’, essentially an equal party to the bank in the trade.

That meant they should have been given all the key information — but they weren't. We've reviewed hundreds of swap files during and after the review, and none of the customers ever received the second page of the trade confirmation at the time of sale. The few copies that did appear were found years later through DSAR requests, or released in court disclosure files.

The missing information wasn't just a technicality — it carried real consequences. More than two years later, the same customer, still unaware of the hidden liability, received the following email (redacted):

'From: ... (CCB)'

Subject: RE: update

Date: 10 September 2010 17:35:33 GMT+01:00

To: ...

..., good afternoon - hope all is well up there.

Thanks for the update.

Thinking aloud here, but ... Road sale at £90k feels low compared to past views on values etc and I will have to get a sign off for release of the banks charge for say net £85k after costs. - will be back to you on this asap.

Assuming that this is the best that can be achieved, we will be looking at an emerging position of -

£0.085m ... Road - proposed net value after costs

£0.300m ... Avenue - conditional contract value

£0.055m ... Avenue

£0.485m ... St

£0.465m ... St

£0.275m ... Unit

£0.735m ... Unit

£0.750m ... as at August 2010.

£3.150m total ascribed security values

£2.388m Loans

£0.477m Hedging liability

£2.865m debt = LTV 91%

..., am I missing something here ?

Given the reduced values being achieved on the 2 properties for sale, and the lower current valuation on ..., the position has been skewed considerably and my concern is that at this level of gearing, the bank will want to pass on control to the GRG people that ... is dealing with. Adding back the end value of ... when completed at £1.200m takes us to –

£3.600m Total security

£2.388m Loans

£0.477m Hedging liability

£2.865m debt = LTV 80%

Even at 80%, there is an argument that control may have to be passed on and the only way I see that this could be defended would be if

- the costs to complete on ... were assessed and confirmed*
- the cash to cover the remaining work was put on deposit with the bank so that there was a clear route to achieving the end value. I know that we are due to meet Tuesday but let's see if we can grab 5 minutes on the phone on Monday.*

regards...

Relationship Director

Specialised Relationship Management - Property Sector

The Royal Bank of Scotland Group

This single email shows exactly how the “hidden” swap liabilities appeared on RBS’s internal systems as *real current liabilities*, directly affecting the customer’s loan-to-value ratio and triggering a transfer to GRG.

I would like Mr De Souza, the FCA, law firms, and barristers who have fought these cases for years to explain how as ‘experts’ they could have missed this kind of evidence, when the NWG RMP credit files are full of communications just like it. Those promoting themselves as ‘experts’ in banking and finance seem to have never seen, or never understood, what was right in front of them.

What the Bank and FCA has never disclosed — although we and they know — is that ALL NWG property customers, both Core and Non-Core, were being treated the same way: targeted for profit. As one whistleblower told me:

“Steve, the one thing they don’t want you to know is that the real reason all managers became dual-badged NatWest and RBS after the Asset Protection Scheme began in early 2009 is that, while every property customer was technically Non-Core, they were all under GRG and targets for asset stripping from that point forward.”

In other words, every property customer was in the same barrel, while the APA and GRG managers stood there with a double-barrelled shotgun, deciding which fish to take out next.

Could Farmers, Builders and Carpet Salesmen buy these Products Without Advice

I also challenged the FCA about banks treating “retail” customers as trading *counterparties* under the Rules, on these products (as investment equals). In June 2016, I wrote to Mr De Souza stating:

“I am unaware of any other designated investment product where a consumer becomes a Counterparty to a bank. Can you refer me to the relevant section in the Handbook that deals with Retail Clients being Counterparties as opposed to Eligible Counterparties?”

His answer, astonishingly, was to quote Investopedia, stating:

“The term counterparty can refer to any entity on the other side of a financial transaction.”

That response downplayed a significant point of law and the customer’s statutory rights to regulatory protection. Under the European Markets in Financial Instruments Directive (MiFID) and COBS 3, a retail client cannot act on their own behalf in an Over the Counter (OTC) derivative, as this is considered acting “on own account,” unless they have first been reclassified as an Elective Professional under COBS 3.5.3.

To qualify as an Elective Professional client, a customer must pass two tests: a qualitative test on knowledge and experience, and a quantitative test on trading scale and frequency. In practical terms, the customer must demonstrate sufficient knowledge and trading history to purchase such products without a licensed adviser assessing suitability and documenting the recommendation (most of NWG’s market sales staff were not qualified to provide derivative investment advice, and the Group itself did not hold such a licence).

Under the FCA’s 2007 rules (COBS 3.5.3R and Annex 2 to MiFID I, Directive 2004/39/EC), a bank wishing to sell a complex investment, such as a swap, without giving advice, had to ensure compliance with the following:

1. Qualitative Test: The firm must be satisfied that the client possesses the expertise, experience, and knowledge to make investment decisions and understand the associated risks.
2. Quantitative Test: The client must meet at least two of the following three conditions:
 - (a) Conducted an average of 10 significant transactions per quarter over the previous year;
 - (b) Held a financial instrument portfolio (including cash) valued at over €500,000;
 - (c) Worked, or previously worked, in the financial sector for at least one year in a professional role requiring knowledge of investment services or products.
3. Procedure for Elective Professional Status:
 - (a) The client must provide written confirmation that they wish to be treated as a professional client, either generally or for a specific service, transaction, or product type;
 - (b) The firm must issue a clear written warning explaining the protections and investor compensation rights the client may forfeit;
 - (c) The client must acknowledge in writing, in a separate document from the contract, that they understand the consequences of losing such protections.

None of the small-business customers we have encountered that were sold swaps, met those standards, or requested that status. They were ordinary SME borrowers, not professional traders.

The legal idea of a “counterparty” in contract law is not the same as an “Eligible Counterparty” under regulation. By blurring the two, the FCA gave banks cover to sell supposedly *non-advised* products to small businesses that were, in truth, retail clients — people who after failing a robust COBS 10 ‘Appropriateness check’ (was the client fully conversant with the product and risks), should have received proper advice and suitability checks.

Did the Customer Really Decide for Themselves – Non-Advised Sales?

In reality, these were *execution-only* sales — a practice explicitly prohibited for complex financial instruments such as interest-rate swaps after November 2007, a point I raised with the FCA repeatedly.

While the FCA permitted the main banks to claim they were following a “non-advised” process, the premise was nonsensical. Every bank presented the simplest form of protection — an interest-rate *Cap* (which stops the purchaser paying above a set rate) — as an *upfront-premium* product, while promoting the far more complex *Swap* as having “no upfront premium.”

The NWG *Interest Rate Hedging for Healthcare Professionals* sales brochure illustrates the misrepresentation perfectly. It confirms that a Cap requires a premium payment and even states that, “*if the premium is paid upfront, the seller of the cap has no credit exposure to the buyer.*” Yet when describing Swaps, the brochure lists as a benefit that “*there is no fee payable,*” mentioning only potential break-cost risks. There is no reference at all to the credit-line risk that must exist to cover the bank’s anticipated profit at the outset and the future exposure to margin (cash or collateral) calls if rates move against the customer.

The Benefits: ■ Independent from underlying loan. A Base Rate swap is not a commitment to borrow. Therefore a separate decision can be made as to how and where to borrow, and how to manage interest rate exposure. ■ No up-front fee is payable. Unlike some other forms of interest rate protection (e.g. interest rate caps), there is no fee payable. ■ Very flexible. Interest rate swaps can be tailored to suit the borrower’s specific hedging requirements and debt repayment profile. ■ Can be reversed at a future date. An interest rate swap can be unwound at the prevailing market rates to reflect changes either to the hedging strategy or underlying borrowing structure. Although this might result in either a cost or a benefit, a customer can, nevertheless, switch from floating rate to fixed rate debt and back again, depending on their views on future interest rate movements.	Potential breakage costs Additional costs may be incurred in the event that the customer wishes to come out of this arrangement, based on prevailing market conditions, such as interest rates and market expectations of future interest rate changes. This could be the case where, for example, the underlying borrowing is repaid early or re-scheduled. We will be pleased to explain further and provide examples of potential costs.
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You cannot premise a “non-advised” sale process on disclosing the cost of one product while suggesting that the more complex product — carrying hidden commissions and contingent

liabilities — is somehow free. It is little better than the old analogy how fair it is to: *offer a child the choice between a grubby £5 note and a bright, shiny £1 coin.*

In the example of the £2million 10-year swap shown above, the customer was given varying prices for cap products at premiums of circa £50,000 (around double the market rate), and then offered the 'no premium alternative'. This sale was in November 2007, just over 2 months after Northern Rock had collapsed and when the US subprime crisis, was becoming a global concern.

Was Such "Valuable Protection" Really Free?

We have the full call transcripts for this trade sale (provided by NWG). Considering the conversation and analysing the tactics used by the Global Banking & Markets (GBM) salesman, *DJ*, regarding interest rates and the supposed benefits of the product, it is impossible to suggest that the customer either understood or genuinely wanted what was being sold.

This customer had never purchased a hedge product before. He did not own shares, invest in financial markets, or trade in anything beyond property and his own businesses. Although a capable businessman, he had little formal education. When he expressed concern that the product could move his rate to 6% if base rates fell below 4%, and asked how long that risk might last, he was told:

DJ And what would happen as well, what would happen with er, if rates did get down to four percent or below what's gonna happen with personal borrowing and people borrowing too much again, and so on.

DJ This is the whole reason that the sub-prime problem in America started 'cause interest rates were too low people who couldn't afford it were borrowing money they couldn't afford.

In relation to the risks of rates going lower than 4% the customer had asked:

"If it did get down to that level, it isn't going to stay there for four years, is it?"

To which *DJ* replied, in effect, that this was correct — that because of the subprime crisis, rates would obviously have to rise to prevent people on low incomes from borrowing too much. That was precisely the opposite of what the bank and global economists believed. At that point, the market was gripped by a liquidity crisis — which inevitably meant interest rates would fall, not rise. The Sterling Strategy update *DJ* received on the 5th of December 2007, two days before the trade, confirmed market volatility but a downward forecast only for 10-year swap rates.

Within sixteen months of buying the product, UK base rates dropped to 0.5% and remained there for more than 12 years (reduced further to 0.25% in 2016 for just over a year and

higher just once at 0.75% in 2018). This left the customer paying, with his loan margin, a total rate of around 8%.

The result was catastrophic: a £0.477 million credit line increase on his business credit file, breaching his loan-to-value covenant and triggering transfer to GRG, as the 10 September 2010 internal email warned. This was the first time he had ever heard of that liability, and he had no understanding of how an additional hidden debt was now forcing his businesses into the arms of GRG and West Register.

His LTV had risen above 90%, his home was left unfinished and had to be sold, and his loan was downgraded to MSG Grade 23 or higher — effectively a classification of near-certain default — solely because the cost of debt was so far above the prevailing market rate.

And yet what had he been told by DJ:

DJ ... and bear in mind what you've got here is a collar where we're protecting you on an amount of debt above 6 percent and as long as rates remain above 5, so if they remain between 5 and 6 you, you, you're paying, you basically pay nothing.

DJ You're paying variable base rate. Now, assuming, you know, if you did have no debt there at all and, er, rates remain between that range, (coughs) excuse me, in theory you could just leave the protection in place you're not paying anything to us. The risk

DJ The, well, yes, the agreement, if it's a 10 year agreement we agree to protect an amount of debt from the outset whether the debt's there or not. The advantage though is that you can use it to cover any debt that you have. So with this loan, yeah, if you

would do that, we don't want to be setting these up to have to charge you a penalty. At the end of the day, you know, you're a valued bank customer and we want to work with you to protect you, not to be broken etc, etc **(noise here, hard to capture)** so,

The tone and content of the sales pitch never changed: *protection, protection, protection — we're looking after you because you're such a valuable customer; even if you don't take the loan, this product will protect you.*

What the bank manager 'Joan' and DJ had already agreed, without the customer's knowledge of course, was that the customer was on a tight deadline to complete a property purchase by 31 October 2007, but drawdown would be delayed until he bought a swap.

Joan also told him that the purchase of the swap was a *condition of sanction*. Yet later checks on the credit file proved this was false. The credit sanction had already been approved *without* any hedge requirement. Joan simply wanted to add it for the additional profit it generated. In the end, the customer was allowed to draw down the loan — but only on the basis that he subsequently took out a swap, in the following 2 weeks or else he was told he would immediately be in default (not true).

These were common practices at NWG: offer an attractively low lending margin to lure the customer in, delay completion until switching banks became impossible, then make the swap a condition of the loan — a simple but highly effective bait-and-switch tactic.

But what, exactly, did DJ tell him about the cost of the product?

DJ It's the no premium collar you're most interested in isn't it?

DJ There's no premium and obviously the key idea behind this is we're trying to set it without any up front premium.

You can break these agreements but you've got to be, bear in mind there could be a cost or a benefit depending where the market sentiment is at the time. So it could be worth money to you, it could be a substantial break cost if you decide to break it early

ties me into the bank for 10 years doesn't it? Well, no it doesn't erm, you can use this to protect bank debt or non-bank debt heaven forbid we wouldn't want you to go but if you did go to another bank erm, what would happen is erm, in reality what you could do if the other bank will accept it which they, all the main banks will do so, or should

flexible, it's that flexible your not, it doesn't tie you necessarily into the bank and so on. So, erm, I think that's pretty much it. Yeah, and the account number as well, do

The customer was told by DJ that he was buying a “no-premium,” flexible product — one that might even benefit him if he didn’t proceed with the loan.

He was borrowing £1.2 million yet was sold a £2 million swap because DJ suggested it could also “cover lending at other banks.” In reality, this simply increased the day-one profit for DJ, Joan and NWG.

DJ assured him that he could “re-bank” with this product at any of the major lenders because they all accepted such hedges — “or should.” He was also told that, with the sub-prime crisis unfolding, rising rates were inevitable and this product would protect him.

What he wasn’t told was that the bank would extract at least £47,000 in profit from an undisclosed £267,000 hard credit-line facility on day one, sharing the proceeds between DJ’s team and Joan’s team. Joan was so eager for her cut that, on 5 November 2007, she emailed DJ’s manager Alan stating:

*“Just thought I would drop you a note to advise that ... was going to call DJ today with a view to looking at a £2M trade over 10 years. Nucleus and credit line all ready but with David not being there and this is a COS, **didn’t want to miss out on this one.**” (emphasis added)*

Of course, it was not a *condition of sanction* (COS) on the loan. But *Joan* had told the customer it was, because that fiction justified the trade and boosted her bonus.

NWG's own trade documentation for this supposedly "no-premium" product confirmed an immediate £47,000 AV/commission deduction from the hidden credit-line facility. Later independent pricing analysis using Bloomberg placed the initial commission/ added value — the real premium — closer to £77,000.

The customer had unknowingly assumed a credit exposure that would ultimately cost him his home and jeopardise all of his business assets — while *Joan*, rewarded for her success, would be booking her Caribbean holiday in her new *Manolo Blahniks* when the profit from this deal hit her monthly bonus.

Was it an Appropriate Product for the Bank to Sell?

Between 2014 and 2016, the FCA insisted that the post-2007 rule COBS 10 — the *Appropriateness Rule*, designed to assess whether a product was suitable and understood — applied only to *complex* products such as structured collars.

In an April 2015 letter to Mr De Souza, I explained that COBS 10 was "*an additional obligation to increase consumer protection, not an alternative to the execution-only rules in COBS 3.5.3.*"

I pointed out the distinction: under execution-only sales the client acts on their own account and as principal in the deal. COBS 10 is not a loophole to bypass suitability or client-status responsibilities, nor does it dis-apply the PRIN (Principles for Businesses) obligations. That interpretation remains correct in law.

MiFID underpins UK regulation and makes no distinction between "simple" and "complex" derivatives when determining whether a non-advised sale requires an appropriateness assessment.

The FCA's own *IRHP Review Sales Standards* at paragraph 1.9.8 require banks to assess whether "*entering into the IRHP is appropriate*" for the customer — with no qualification.

The FCA's attempt to limit this duty solely to Category A "complex structures" was therefore a misrepresentation. It allowed the regulator to exclude caps and simpler swaps — Categories B and C — from meaningful review, contrary to both the Undertaking and MiFID.

In truth, it was never appropriate to sell these products without advice to anyone other than a sophisticated and experienced investor fully conversant with hedging risk - a fact that a regulatory and risk technical 'expert' such as Mr De Souza should have recognised, rather than defending a miscreant bank at the expense of damaged consumers.

Contingent/ Credit Risks What did the FCA Confirm was Considered in the Review

When challenged further, on the matter of contingent liabilities/ margin credit (credit line) and resulting credit risks Mr De Souza also asserted that:

“The IRHP review does of course consider whether the banks sufficiently explained to the customer the risks of potential future (contingent) liabilities in the event of reductions in interest rates.” (emphasis added)

This was misleading. Internal Project Rosetta files passed to us - RBS's own KPMG-supervised internal review documents - confirmed that the FCA had specifically excluded contingent liabilities and the customer's credit arrangements from the scope of review under agreements made with the Skilled Persons.

In one of the cases reviewed, KPMG's Independent Reviewer (IR) explicitly recorded under the heading Contingent Liability:

“There is no evidence that the details of the contingent liability were discussed with the customer prior to the trade.”

The IR then went on to state:

“The setting and monitoring of the contingent liability is not, however, covered in the IRHP review.” (emphasis added)

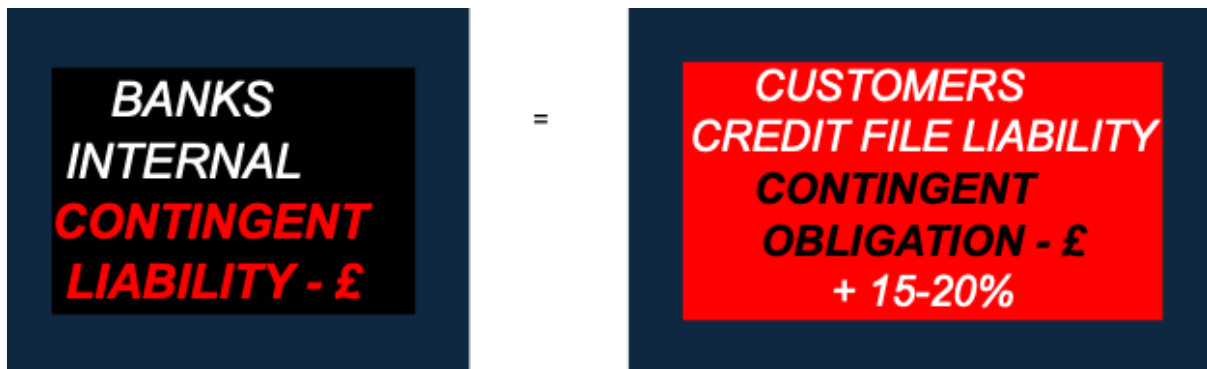
This directly contradicted Mr De Souza's assurances. It demonstrates that, although the FCA claimed such risks were considered, the Skilled Person framework *specifically excluded* them from review. The IR further asserted:

“The setting of any contingent liability is a credit risk function carried out as part of the operational process. The process is not related to the sales standards agreed with the FCA in respect of the past Review of IRHPs.” (emphasis added)

In effect, KPMG treated the setting of margin credit and contingent liabilities as an *internal credit function*, rather than as part of a regulated investment transaction—even though arranging margin credit (credit lines) for derivatives is *MiFID ancillary business* and therefore a regulated activity under FSMA s.19. Conducting such activity without authorisation is unlawful.

This 'contrived' confusion continued, as the FCA allowed the Skilled Persons to conflate the customer's own credit obligations with the bank's internally accounted contingent liabilities. One reflected the bank's internal risk, which then guided the relationship manager in setting the customer's direct obligations—plus the 15–20% buffer they were instructed to add.

The Bank's 'Paper Risk' equals real loss: The Bank's accounting for MtM, PFE, and hidden charges immediately becomes a concrete financial obligation for the customer.



Every penny the Bank is “in the black” (but accounts as a contingent risk if the customer defaults) is a penny the customer is in the red—plus a 15–20% buffer the Bank tacks on just to be safe.

The contradiction between Mr De Souza’s explanations and KPMG’s actual work shows that both the FCA and its appointed Skilled Persons left out the one risk that mattered most — not the contingent liability consideration, but the obligations they put on the customer’s credit file. This was the heart of the product and the source of much of the customers’ loss.

The pattern in every letter and email with the FCA was the same. When a clear breach of the rules was pointed out, Mr De Souza changed the focus to wording or policy talk.

By calling the “sales standards” a fair and consistent benchmark, he avoided admitting that the review broke the Undertaking and the FCA Handbook. The result was that the FCA ended up protecting the banks instead of the truth.

The missing second page of NWG trade confirmations and the hidden day-one profits, were not small mistakes — they were deliberate, tactics to hide commissions and the credit risk covering those undisclosed profits, whilst the customer was repeatedly told there is “no premium”. The FCA, under Mr De Souza’s supervision, didn’t just miss these behaviours; it helped make them look acceptable by quietly redefining the rules afterwards.

By leaving the requirement to disclose contingent obligations out of the Sales Standards, the Review lost its integrity and hid the true scale of the systemic mis-selling and the deeper non-disclosures behind it.

The Swift Report - £8 Million for the Wrong Conclusions

John Swift and Ashurst produced a 493-page report allegedly investigating the IRHP Review and the FCA’s behaviour, on a ‘lessons learned’ basis.

As the Rule requiring the disclosure of this risk is clearly set out in the FCA’s Handbook of Rules in COBS 14.3.2 and in particular sub section (d), where it states:

A firm must provide a client with a general description of the nature and risks of designated investments, taking into account, in particular, the client's categorisation as a retail client or a professional client. That description must:

(1) explain the nature of the specific type of designated investment concerned, as well as the risks particular to that specific type of designated investment, in sufficient detail to enable the client to take investment decisions on an informed basis; and
 (2) include, where relevant to the specific type of designated investment concerned and the status and level of knowledge of the client, the following elements: ...

(d) any margin requirements or similar obligations, applicable to designated investments of that type. (emphasis added)

Subsection (d) addresses the very risk the Bank and FCA have been covering up since at least 2012: not internal bank contingent liabilities, but the customer's direct obligation—the unlimited “WMD” credit risk of these leveraged products.

This is why, despite the Swift Report being inaccurate on many points—calling all 70,000 fixed-rate loans “TBLs,” failing to address the Ulster Bank fraud (despite substantial evidence supplied), and not even mentioning Ulster Bank in the Glossary—it was entirely wrong on swap credit risk.

And how did an £8 million report manage to quote Rule 14.3.2 as the key rule on swap risk but “accidentally” omit subsection (d) covering “Margin Credit” or similar OBLIGATIONS?

To make it worse, when they appeared in front of the Treasury Select Committee (TSC), Mr Swift KC and David Capps from Ashurst engaged in the following dialogue, after I had provided Kevin Hollinrake MP with some detailed information on the swap credit line risk and how it was a direct risk on the customer's credit file, not a contingent internal risk on the Bank's systems:

Kevin Hollinrake: *A margin requirement has a monetary value to it. Therefore, why was it not disclosed? There is a requirement, under the conduct of business sourcebook, to disclose, and they did not.*

John Swift: *Why was it not disclosed in my report? I am now going to ask Mr Capps to answer that.*

Kevin Hollinrake: *That was not my question.*

John Swift: *I would ask Mr Capps to answer that question.*

David Capps: *You refer to margin requirements in subsection (d). The common understanding of margin requirements is the requirement to make margin payments; usually they are initial margin and, in addition to that, they are variation margin. That is usually in the derivatives world, perhaps by way of cash. The expression we have seen used is not margin requirements, but rather the expression “margin credit” has been raised by certain commentators. That margin credit appears to us to just be another way of saying hidden credit line, contingent liability or CLU.*

We do not actually think that this expression “margin requirements” is really engaged. In subsection (c), if you want the detail, there is reference to a requirement to disclose contingent liabilities. We take the view that the contingent liability of the customer, under the IRHP, is the potential break cost from day one, right the way through until expiry of the swap.

David Capps misled the TSC by avoiding a direct answer to the question of why margin requirements and obligations were not disclosed to customers. Instead of acknowledging the clear regulatory obligation under COBS 14.3.2(d), he reframed the issue as a semantic argument about terminology.

He suggested that “margin requirements” normally refers only to initial or variation margin in derivatives and that what some called “margin credit” was merely a hidden credit line or contingent liability. By claiming that the expression “margin requirements” was not engaged, and pointing to subsection (c) on contingent liabilities, Capps sidestepped the core issue (just as the Swift Report sidestepped 14.3.2 “(d)”: the customer’s direct financial exposure, direct and **REAL FINANCIAL OBLIGATION** under IRHP swaps was not disclosed.

This effectively downplayed the Bank’s failure and misrepresented the regulatory requirement, misleading the TSC about the nature of the risk. Once again, Capps twists the meaning of risk: instead of addressing the customer’s hard credit line obligation, he reframes it as merely a contingent liability tied to MtM break costs—sidestepping undisclosed commissions and PFE, which typically make the actual credit line far larger. He states:

“We take the view that contingent liability of the customer, under the IRHP, is the potential break cost from day one, right the way through until expiry of the swap” (emphasis added)

Remarkably, the very team selected to investigate the FCA’s conduct adopted the same incorrect view that has underpinned the regulator’s cover-up for 12 years, mixing up “contingent liabilities” (possible debt/ liability) with “contingent obligations” (real debt/ liability).

After the hearing, I approached Mr Capps. Although he already knew me from a two-hour interview producing a 96-page transcript—during which I repeatedly explained the harm to SMEs from hidden credit lines/margin credit and reported the Ulster Bank fraud—but he refused to answer why he had misled the TSC, brushing past me.

This falls far short of the professional, impartial, truth-seeking approach one would expect from a firm paid substantial fees for an £8 million report that completely failed to address this critical issue. Perhaps Capps was still smarting from the 25-page response we sent to the Swift Team, highlighting the numerous errors on the Rules, swaps, and fixed-rate loans, which we had hoped might prompt a revision. Instead, we received no response at all (copies available on request).

Between the Bank, the FCA, and the Swift Team, it was like watching the three wise monkeys: seeing no evil, hearing no evil and speaking no evil—when it came to the cover up

of the largest financial fraud in decades, perhaps ever, that devastated tens of thousands of SMEs.

The Review Ends - Did Reduced Compensation = Rewards

As the RBS IRHP Review was ending, the timing of what happened next tells its own story. By late 2017 the scheme was being wound down, with the FCA closing files even though the credit-line frauds and contingent-liability issues were still unresolved.

At almost the same time, the FCA publicly announced that there had been *no serious wrongdoing* inside RBS's Global Restructuring Group (GRG) — the same division where most swap victims had been sent. That announcement marked the regulator's final retreat from accountability.

Soon after, in April 2018, Mr De Souza — the technical specialist who had misled me about the FCA excluding contingent liabilities from the review — left the FCA to join the NWG as Manager, of 'Regulatory Affairs'. His own LinkedIn profile says his job was to advise on "Regulatory Risk and Compliance." Given the history and his communications with me, it might more honestly have read "the Art of Avoiding Regulatory Risk and Compliance."

In 2021, he was promoted to *Senior Managers and Certification Regime (SMCR) Advisory Manager*, a role that brought him into contact with Government and Treasury officials — the same departments that had overseen RBS while it was state-owned and knew all about the structured-credit tricks used to hide risk.

The timing is striking. Just as the FCA was clearing the banks of wrongdoing, the man who led its IRHP oversight quietly moved into a senior compliance post at one of the very banks he had been supervising. It is a perfect example of regulatory capture — where those meant to enforce the rules might be rewarded not for exposing the truth, but for keeping it buried.

30. How the FCA's Change in Law & "Hybrid" Model Standardised credit line Risk

When the Interest Rate Hedging Product (IRHP) Review first started in 2012, it was the old regulator, the Financial Services Authority (FSA) that told the banks to hire outside "Skilled Persons" to check what had gone wrong. The law at that time meant the banks had to appoint and pay these reviewers themselves, but the FSA still gave them strict instructions on what rules to follow.

Each bank had to sign up to the same *Sales Standards* and *Undertaking* that the FSA wrote. So, although the reviews looked independent, in practice everyone was already working to the FSA's own plan.

A few months later, the Financial Services Act 2012 changed the law so that the new Financial Conduct Authority (FCA) could appoint and instruct these Skilled Persons directly. This created a new kind of "half-and-half" system. The banks still paid the reviewers, but now the FCA oversaw telling them what to look for and how to apply the rules. That meant the FCA could make sure every reviewer stuck to the same story — especially the idea that

things like credit lines and contingent liabilities were “internal” and didn’t need to be counted in customer losses. This new hybrid model was used for the first time in the IRHP Review, and it kept the outcome consistent across all the banks, even if some might have wanted to dig deeper or pay more compensation.

In practice, the FCA’s approach to the IRHP Review—under which banks formally appointed the Skilled Persons while the regulator set and policed the “sales standards”—created a single, uniform interpretation that treated margin credit and contingent liabilities as an internal credit process, outside the scope of the Review.

That position is explicitly reflected in KPMG’s Rosetta notes, where the Independent Reviewer wrote: *“The setting and monitoring of the contingent liability is not, however, covered in the IRHP review,”* and further that *“The setting of any contingent liability is a credit risk function... not related to the sales standards agreed with the FCA.”*

By contrast, in correspondence the FCA stated the Review *did* consider whether customers had been sufficiently informed about contingent liabilities arising from rate falls—*i.e.*, that disclosure was the test—yet the operative framework nonetheless kept the value and setting of those liabilities outside redress assessment.

Read together, the documents show how the arrangement standardised a treatment of contingent liabilities as “internal” and not part of the product’s costs and risks evaluated for redress, despite clear evidence that these exposures were central to customers’ risk and to the bank’s day-one profit extraction.

The practical effect was to hold the line that contingent liabilities and margin credit sat on the bank’s credit systems rather than forming part of the customer-facing product economics and loan-to-value impact. This alignment removed the most consequential risk driver from the Review’s compensatory calculus and helped ensure consistency of outcome across banks, irrespective of case-mix.

It follows that if individual banks had been free to set their own standards directly with the Skilled Persons, without the FCA’s centralised steer, some might well have applied the actual Rules — recognising contingent liabilities as real, compensating customers properly, and paying consequential losses. After all, many of these products were designed to damage customers for the profit of the banks, their Treasury teams, and their relationship managers.

Those banks with smaller legacy risks and stronger compliance cultures might have chosen to do the right thing. But others — especially HM Treasury-owned NWG, with its vast IRHP book — would have faced far greater exposure. Once the hidden credit lines were properly recognised, they risked not only mass cancellations but also huge consequential-loss claims tied to their concealment.

The Review became a carefully choreographed dance: every partner kept in step, the tempo never changed, and no one dared mention the elephant on the dance floor — the hidden credit lines.

31. Credit Lines on Ulster Bank Fixed Rate Loans a Criminal Fraud?

Thousands of SMEs took fixed-rate business loans from Ulster Bank. A fixed-rate loan doesn't need a swap or any separate "credit line". That hedge should have been in the Bank's name, to protect their risk if rates moved against them. Yet, behind the scenes, some of the Global Markets Team (GBM) staff, ran the alleged Fixed Rate Loan (FRL)/swap scheme in Dublin—just streets from Leinster House, the seat of Ireland's parliament.

When they applied for swap-style credit risk and internal hedge's in the customer's name instead of the Bank's and then quietly increased them as rates fell, they could earn the same up-front commissions as they did on swaps. This overt fraud then also applied the whole MtM value to the Bank's books we expect without any offset to another party, when rates went down, and they called in that risk, they could receive the whole profit from any break cost.

Customers had wording on their loan documents about a swap and credit facilities, but these weren't explained and they believed that must be a part of a fixed rate loan. Those separate hidden credit line risks were then treated like extra secured debt, pushing up LTV, dragging down credit grades, and triggering enforcement—while the Bank traders who had engaged in what should have been an obvious fraud (in any basic regular compliance check or risk audit) booked day-one profits and ongoing trading and accounting gains.

Why that matters: if you never bought a swap, creating and growing a swap-type credit line against your property has no legal basis. It makes your loan look riskier, helps justify default action, and lets the Bank report profits and capital values it shouldn't. That's not just mis-selling—it's a fraudulent fabrication of liabilities to the customer's detriment and the Bank's benefit.

Independent reporting in *The Times* (July–Aug 2023) by James Hurley set out how Ulster Bank lodged hidden swap-style credit lines against fixed-rate borrowers; derivatives expert Ian Tyler called the scheme when break costs were demanded as 'effectively theft.'

In one case we provided evidence on, the Bank removed circa £120,000 from a customer's account to meet a swap break cost - a swap the Bank later admitted never existed, whilst also then increasing the loan by the same amount (double recovery). These practices inflated customers' liabilities, damaged LTV/credit grades and refinancing prospects, and shifted Bank risk onto SMEs without disclosure, leaving Ulster Bank fraudulently accounting their profits and liabilities over at least a circa 5-year period.

The fact that such overt criminal behaviour was not picked up for circa 5 years, during which time the Bank was falsely reporting such liabilities, and then ignored/ dismissed when the IRHP pilot and review schemes were underway, as mistaken wording on loan paperwork makes this likely one of the most obvious and worst frauds in banking in recent decades.

The FCA's Reply on Ulster Bank Complaints— and Why It Doesn't Hold Water

Even now, in letters to experts, advisers and MPs, senior FCA staff still claim these credit obligations weren't a real customer risk. After years of silence on formal complaints we filed in December 2019 and June 2022 about the FCA's failure to act on the Ulster Bank Fixed Rate Loan Fraud, we finally received a response on 8 October 2025 — only three to six years later.

It came from Emad Aladhal, the FCA's Director of Retail Banking. Despite the seriousness of the allegations and the detailed evidence presented by Steve Middleton, Ian Tyler, and Lord Sikka in November 2022—evidence proving that Ulster Bank's "credit risk" devices were real liabilities and that their behaviour constituted fraud—the FCA let Ulster Bank investigate itself for three years, effectively supervising its own cover-up.

We told the FCA in 2022 that hundreds, possibly thousands, of these fixed-rate loans had been sold across Northern Ireland and Ireland, meaning redress could exceed £1 billion in NI and double that again in Ireland. The FCA made no independent investigation and accepted Ulster Bank's assurances at face value.

Here is a sample of Mr Aladhal/ the FCA's assertions and our response:

FCA Quote:

"The FCA's supervision team including our derivative, accounting, and legal specialists, have engaged with UB and NWG, in writing and in person, about their past FRLMBC sales practices."

Response:

Notice what's missing: any mention of the RMP credit systems—the very records that prove the fraud. "Engagement" is not investigation.

FCA Quote:

"Whilst our work was not a forensic examination of historic records ... we found no evidence to support the allegations made."

Response:

That translates as: *we didn't look properly, so we didn't find anything*. Just as the FCA relied on Charles Flint KC's limited opinion on 8,000 Clydesdale Tailored Business Loans and pretended it covered all 70,000 FRLs, this was a selective review designed not to find the fraud.

FCA Quote:

"Our review found no evidence that UB's FRLMBCs were in fact IRHPs."

Response:

No one said they were. The allegation is that Ulster Bank's Dublin Markets team fraudulently placed the bank's own hedge in the customer's name, then booked a credit-line facility against the customer so the bank could recognise a day-one profit and staff could take their AV commission—a clear misrepresentation and, at scale, an outright fraud.

FCA Quote:

“Following our engagement, the bank reviewed the customer-facing documents used by UB in historic sales of FRLMBCs in Northern Ireland ...”

Response:

It is astonishing that a bank accused of covering up its own fraud for over a decade was invited to *review itself*. That is not regulatory scrutiny—it’s abdication.

FCA Quote:

“Whilst UB has acknowledged that the loan documentation provided to Mr Hurl ... did contain erroneous and potentially confusing references to swaps and ISDA ... errors which contributed to Mr Hurl being redressed by UB, on the direction of the Financial Ombudsman Service.”

Response:

That is factually wrong. Mr Hurl never received any redress. His losses were over £2 million, and the stress caused lasting harm to his health and family. The FOS offer was so trivial he could not accept it—doing so would have triggered bankruptcy proceedings to claw the money back, as Ulster Bank did to others.

FCA quote:

“Overall, therefore, UB was satisfied that ... the underlying transactions themselves were correctly executed as FRLMBCs and not as IRHPs.”

Response:

Again, that misses the point. The issue isn’t whether the loans were “correctly executed”; it’s that the bank hid internal profits and credit-line commissions, falsified customers’ risk positions, and damaged their LTVs—all undisclosed to borrowers. And surely it should be the regulator, not the bank accused of fraud, that decides what is “satisfactory.”

FCA quote:

“Second, we carefully considered the existence, alongside each FRLMBC, of UB’s internal credit line, which covered its potential exposure to the market-linked break cost ...”

Response:

That statement is demonstrably false. The credit line didn't merely cover the break-cost risk; it represented the commission, mark-to-market (MtM) profit, and future credit exposure (PFE)—the full structured risk of the trade.

Mr Hurl's files prove it. In August 2009, his swap credit line D3 showed as a liability of £180,000, even after a £119,000 break-cost penalty was added to his £775,000 fixed-rate loan. That liability appeared in the loan-to-value calculation, that break costs penalty was transferred to London Global Markets on 21 September 2012, yet still appeared in his loan account in 2015—a fact incompatible with the FCA's claim that the swap credit risk was merely “nominal.”

SANCTION SUMMARY SHEET									
Connection Name Hurl - Vincent (LQE 05/2009)									
Date 09-Aug-12									
				proposed					
D2	Loan	UBL	Approved	Approved as proposed	896.000	F+6.88	7.500	01-Feb-13	01-Mar-13
D3	Interest Rate Swap/Hedging	UBL	Approved	Approved as proposed	180.000		0.000	01-Feb-13	17-Dec-17

The bank manager, acting on instructions from the Treasury team, broke the very swap that Mr Aladhral insists never existed—and then removed £119,521 from Mr Hurl’s business account without his knowledge, authority or consent.

The transaction was executed in the customer's own name, creating the appearance that the transfer was authorised by him. The money was paid to the London Global Markets team on 21 September 2012 to cancel a swap that, according to the FCA, did not exist.

The £119,521 transfer wasn't a "nominal" figure — it was real money, taken to break a real swap. That swap, or hedge, however, should have been in the bank's own name, to cover its risk on Mr Hurl's fixed-rate loan in the event of default. In a proper structure, the FRL break-cost penalty would have offset (or *contra'd off*) against the bank's internal hedge, after any upfront commission or Added Value (AV).

But that didn't happen. Although Mr Hurl wasn't paying swap instalments, the internal hedge had been placed in his name, for the financial and accounting reasons we've already explained.

That accounting trick let the bank book profit and carry the hedge as his liability instead of its own risk — turning what should have been a neutral internal trade into a source of revenue and artificial credit exposure and falsifying their statutory and regulatory accounting for at the least the period of these trades, 2007 to 2012.

GBP (Sterling)
Pay to: National Westminster Bank Plc, L
SWIFT Code: NWBKGB2L
For Credit to: Ulster Bank Ireland Limited
IBAN: GB77NWBK60000404565029

Debiting account
 10126577

981070

referenced CBFIN118

From: [REDACTED]
 Sent: 11 September 2012 16:29
 To: [REDACTED]
 Cc: [REDACTED]
 Subject: CBFIN 118 Vincent [REDACTED] Hurl Early Mature

Hi all,

Please be advised the below deal has been matured value the 12th September 2012 - the final
 break cost due is £119,521.50. [REDACTED]

When Mr Hurl saw that funds had been taken from his account without his knowledge, he contacted his GRG RM who stated:

From: Donaghy, Sheila (GRG Ireland) [mailto:Sheila.Donaghy@ulsterbank.com]
Sent: 21 September 2012 16:52
To: VINCENT HURL
Subject: RE:

Vincent

These were internal transfers done to permit the transfer of your facilities to our Recoveries
 department. They relate to the breakage of your fixed rate loan as the Bank is now demanding
 repayment.

So how can that credit line be “only related” to the FRL break cost when the so-called *swap* credit line was £180,000, yet the alleged break cost was only £119,000?

Even if Mr Aladhal is not a derivatives specialist, one might expect that if the FCA executives handling this case — or even those drafting the response — had taken the time to check the Ulster Bank RMP credit files in the very case they reference, Mr Hurl’s, even the least technical among them would have noticed that the recorded credit-line exposure was 50% higher than the supposed break cost.

On the very same day that £119,000 was sent to the London Markets team, Mr Hurl received a formal demand for recovery of £894,000 the £775,000 loan value, with the £119,000 liability added on top.

The RMP credit files go further still. In August 2012, shortly after the RBS credit systems crashed (some allege due to Ulster Bank attempting to put a patch its systems to conceal this fraud), the records show that Ulster Bank had already defaulted Mr Hurl’s loan.

The credit report dated 9 August 2012 shows the loan increased to £894,000 (£775,000 loan plus the break penalty). Yet the same “swap” credit line — which Mr Aladhal claims was

merely a “nominal” break-cost risk — still appears on Mr Hurl’s credit file at £180,000 even after the loan was broken and defaulted.

				proposed					
D2	Loan	UBL	Approved	Approved as proposed	896.000	F+6.88	7.500	01-Feb-13	01-Mar-13
D3	Interest Rate Swap/Hedging	UBL	Approved	Approved as proposed	180.000		0.000	01-Feb-13	17-Dec-17

That is how penalties/ break costs are taken on a fixed rate loan, they create an additional liability in the defaulted loan itself, they do not create separate credit risk on the customers file, that risk to hedge the Hurl risk, should have been in the Bank’s name.

Mr Aldahal however, after failing it would seem to investigate or examine any credit files at UBL, suggests this double charging is a one off, an error and leaving the perpetrators of the fraud to investigate themselves before responding states:

“UB was able to show to our satisfaction that upward market-linked adjustments from time to time to the ‘nominal limit’ were not assessed as being a real debt increase during the life of the extant loan.”

That is nonsense. In the Vincent Hurl case, reported by James Hurley in August 2023, Ulster Bank’s own internal credit files show statements that *“swap limits have gone into excess,”* and new approvals were needed to raise those limits. Nominal limits cannot go *“into excess”*. If they can, they aren’t nominal — they are real liabilities.

Limits excesses

From: [REDACTED]
 To: [REDACTED]
 Date: Mon, 09 Mar 2009 15:55:21 +0000
 Attachments: [REDACTED]
 : [REDACTED]
 Hi [REDACTED]
 The swap limits for the below customers have gone into excess today. Can you please get the limits increased [REDACTED]

[REDACTED]
 Hurl Vincent and [REDACTED]
 [REDACTED]

Mr Aladhall stated that:

“UB demonstrated that its potential exposure to the break cost, as evaluated from time to time, was recorded in its credit system but as a ‘nominal limit, whereas the customer’s actual

liabilities (notably the sum of borrowed capital that remained to be repaid) were recorded as the 'cleared balance'."

But Mr Hurl's credit files tell a very different story. They show a swap risk crystallisation that led to a formal credit application increasing his limit by £129,000, stating:

"Renewal of facilities totalling £1,601,736 until 1.12.12 approved. Increase to cover crystallisation of D2 swap (£129k)..."

So, the "non-existent" swap Mr Aladhal refers to created a very real increase in debt. Mr Aladhal also stated:

"Moreover, we saw no evidence that the 'nominal limit' alone could cause or even materially contribute to deemed covenant breaches or defaults in otherwise performing loans."(emphasis added)

Yet Ian Tyler, former head of RBS Group Accounting and a derivatives and accounting expert, has confirmed (as have our whistleblowers) that the swap credit lines on RMP credit files always formed part of the LTV calculation and described this conduct of taking £119,000 from Mr Hurl's account in The Times as outright theft.

Despite the real documentary evidence (provided to the FCA) and expert's findings, the FCA have concluded, reminiscently of the GRG and other investigations into the state controlled NWG:

"we found no evidence to support the allegations made."

These claims fly in the face of the FCA's own advisers, established accounting standards for contingent liabilities, and the lived experience of thousands of borrowers. This isn't just a case of the emperor's new clothes — it's the FCA offering a detailed fabric analysis of the beauty and stitching of the emperor's invisible wardrobe, while he stands there butt naked.

The Credibility of the FCA and Mr Aladhal - Regulatory Capture or Regulatory Cover Up?

Mr Aladhal goes on to state:

*"Certain ex-gratia reviews of such loans which NatWest carried out in Great Britain in 2016 had not, as UB had planned to do, been replicated later in Northern Ireland. **UB has now made good that discrepancy, resulting in £1.8 million being paid to 26 customers** in cases where UB concluded that the original sale had not met its own standards."* (emphasis added)

And further:

"We are also satisfied that UB/NWG's recent voluntary ex-gratia initiative and payments mean that impacted customers in Northern Ireland have now received the same treatment as those in Great Britain, which is a positive outcome for those consumers." (emphasis added)

For what is, conservatively, a hundreds-of-millions compensation issue across Northern Ireland and billions across NI and Ireland, the flippancy and sycophantic tone of Mr Aladhal's response are extraordinary. It reads less like a regulator addressing systemic fraud and more like a reference letter for a future compliance role at the NatWest Group.

How else can one explain a supposedly competent FCA director commending a bank that committed thousands of fraudulent sales over at least five years for repaying barely one percent of what is owed?

Perhaps Mr Aladhal might consider stepping down from his ivory tower and meeting the Ulster Bank victims of this fraud — the business owners who lost their livelihoods, homes, and, in some tragic cases, family members to suicide — and then explain to them what exactly constitutes a “positive outcome.”

How fortunate for those victims that, after more than thirteen years of concealment, the perpetrators at Ulster Bank were effectively allowed to investigate themselves — protected by the City's elite and a regulator more concerned with reputation than justice — and toss a few coins back to the very people they had destroyed.

One begins to wonder if the FCA have a Compass system and performance charts for which regulator saves the banks the most in compensation reductions, and whether the FCA Executives supervising the banks send round “*victory emails*”, each time they manage another successful cover up of multi-billion frauds that allow the banks they ‘*supervise*’ to retain their customers money.

When this issue was supposedly investigated, Mr Hurl — whose account was unlawfully raided for £119,000 by his GRG manager for a swap that never existed — was never contacted. Not by the bank, not by the FCA, and not by any of the so-called “independent reviewers” during the three and a half years this sham review dragged on.

Nor were we, despite having compiled thousands of pages of evidence and sworn testimony from whistleblowers and leading experts, including Ian Tyler — one of the world's foremost authorities on derivative accounting and trading practices.

Mr Aladhal's current role at the FCA is Director of the Retail Banking Directorate. Before that, he headed the Specialist Directorate, responsible for Financial Crime and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS).

One might reasonably expect that an FCA executive tasked with *reducing* financial crime would do so by recognising and investigating it — not by reducing it statistically, through wilful blindness to crimes occurring right under his nose.

In this case, his approach feels less like Hercule Poirot and more like Inspector Clouseau on an off day.

32. Were the Ulster Bank FRL Fraud Loans “Tainted Assets” in the APS

When HM Treasury designed the Asset Protection Scheme (APS) in 2009, its most senior official, Sir Nicholas Macpherson, wrote to the Chancellor, Alistair Darling, on 3 November 2009, with a stark warning. He said the scheme could not work unless it included “tainted assets” — assets where the legality was uncertain.

As he explained, the problem was not small. In working with RBS, Treasury officials realised the bank’s systems could not reliably separate “clean” assets from those that were “affected by material or systemic criminal conduct” by RBS directors, officers, or employees. In other words, Treasury knew that criminally tainted assets sat inside RBS’s balance sheet, and some would inevitably be insured by the taxpayer.

Sir Nicholas made clear that excluding all such assets would “significantly reduce the effectiveness of the APS” and could even make the scheme unviable. With by then the APS about to officially start, and circa £282 Billion of RBS assets earmarked for coverage, this implies the value of tainted assets ran into at the least tens of billions.

He admitted Treasury could never give “complete assurance” that all insured assets were legally sound, and he quoted the government’s own manual, *Managing Public Money*, which requires public funds to be used only in ways that do not tolerate fraud, illegality, or corruption. On that basis, he said he could not sign off the scheme himself, because it was not possible to rule out a continuing risk of insuring assets linked to fraud or criminal conduct.

Instead, he asked the Chancellor to take responsibility. Darling almost immediately did so, approving the APS despite these warnings. Public money was therefore knowingly used to insure RBS assets that Treasury officials believed were connected to criminal conduct inside the bank.

The National Audit Office qualified HM Treasury’s 2008–09 accounts over APS-related unauthorised spending of about £24 billion—meaning the auditor signed the accounts but attached a formal warning for a material breach of Parliamentary authority (a qualification, not a refusal/disclaimer)—only the second time in centuries that Treasury’s accounts were formally qualified.

33. How did Multiple Reviews in the UK & Ireland Miss the Ulster Bank Fraud

Documents we hold prove that the Ulster Bank Fixed Rate Loan Fraud took place between at least 2007 to 2012. During that time period the undisclosed swap credit lines, that were not required for fixed rate loans and should never have appeared on the customers RMP file, were being marked up as interest rates fell, and having the same effect on NI FRL customers a swaps did. And yet between 2013 and 2018 there were at least four reviews that should have found the fraud either from a regulatory breach perspective or accounting fraud perspective on accounting and derivative audits: the IRHP Review (2013 to 2016); the GRG Customer Review; the FCA’s Investigation into GRG; and the Oireachtas Banking Inquiry (2014 to 2016).

IRHP Review - Why NI FRL Fraud not Exposed

Despite the overt statements on the customer's documents and the fact that regular communications referred to the customer having a swap, the FCA said Ulster Bank's fixed-rate loans were just unregulated loans, not regulated investment products, so the IRHP conduct rules didn't apply. The Bank said any reference to having a swap on the documents and communications in the previous, was just an error.

The FCA also pointed to jurisdiction: much of the fixed-rate/swap activity was as stated designed and booked in Dublin by Ulster Bank Ireland, which was supervised by the Central Bank of Ireland (CBI) under EU passporting. On that basis, the FCA limited itself to the UK lending paperwork and didn't examine the thousands of swap/credit-line credit file documents, even for Northern Ireland customers that were allegedly under their protection.

The GRG Customer Review (Designed to Miss the Risk)

The GRG Customer Review that followed was, from the outset, designed not to uncover wrongdoing but to contain it. The compensation framework focused only on conduct after customers had already been transferred to GRG, deliberately ignoring the circumstances that caused those transfers in the first place. By excluding the credit-line manipulation and false arrears entries that triggered the forced migrations, the review removed the single most important question: *why were viable businesses sent to GRG at all?* The result was a process engineered to confirm "isolated misconduct" rather than systemic fraud.

The payouts were insultingly low—token offers averaging a few thousand pounds against multi-million-pound losses, and capped "automatic payments" of £500 or £1,000 issued even to businesses destroyed by the bank's actions. No allowance was made for consequential loss, reputational damage, or the costs of years of litigation and insolvency. The methodology was so tightly controlled by the FCA and NWG that the review became another rigged exercise in regulatory theatre: a mechanism to close files, not to deliver justice. It examined the symptoms after the patient had been killed, while the real disease—the hidden swap credit lines that inflated risk metrics and triggered mass transfers—was never even placed under review.

The FCA's Investigation into GRG - How the FCA Missed the UBL Fraud

In 2014–2018 the FCA used the same approach. It described GRG's SME work-outs as mostly outside FCA rules and treated Ulster Bank Ireland issues as a CBI matter. By focusing on unregulated UK lending and not investigating the Dublin-booked fixed-rate/swap and margin-line set-up, the FCA never forensically tested the scheme—then conveniently concluded it had no evidence of deliberate criminality or senior-management intent within the narrow scope it chose.

No Official Report on the Fraud Whilst the Treasury Sells its Shares

During that time HM Treasury has offloaded its remaining shares in the Group, whilst the admitted fraud and compensation risk has which would be in the hundreds of millions

potentially billions in NI and Ireland has not been reported in the Ulster Bank or NWG accounts as a contingent risk in breach of accounting and SEC requirements when selling shares.

Either the APS due-diligence found the Ulster Bank fraudulent FRL exposure in 2009—or it was negligent not to. This was a multi-billion accounting and regulatory fraud, so HM Treasury (as a substantial selling shareholder) must have known or ought to have known. If they knew and still sold down NatWest Group without clear disclosure, that's indefensible under reporting rules; if they didn't know, the APS due diligence missed the obvious.

Disclosure duties were clear. Disclosure duties are clear. Under UK-adopted IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and international IFRS standards, as well as U.S. Regulation S-K Item 303 (MD&A), Item 105 (Risk Factors), and Rule 10b-5 under the Exchange Act, companies must disclose known or reasonably likely material risks, contingencies, and obligations. Yet this exposure is absent from the accounts—as evident in NWG/Ulster's Companies House filings and SEC submissions.

This raises serious questions about financial reporting and securities-law compliance during the Treasury's sell-off of its shares. We placed Alison Rose (former NWG CEO), Will Luker (NWG General Counsel), Paul Thwaite (current CEO), HM Treasury, Rachel Reeves, and Sir Keir Starmer PM on formal notice of these concerns on several occasions. All either ignored our warnings or deflected responsibility to the FCA, despite the clear implications of potential market abuse.

The FCA of course being the very regulator turning a blind eye to this matter since we first reported concerns in 2019 and who has since tried to mislead us and others about its knowledge and investigations into the Ulster Bank FRL contracts, and whose senior executives are still attempting to cover up this matter today.

34. Who was Responsible for What happened in NI

Ulster Bank ran two banks: a UK-authorised lender in Northern Ireland (Ulster Bank Ltd, FRN 122315) and an Irish bank (Ulster Bank Ireland DAC). NI fixed-rate loan contracts said a swap would be taken and opened a swap/ margin credit line—directly regulated, under the European directives in the Markets in Financial Instruments Directive (MiFID) territory (credit to enable a derivatives deal).

That means, for NI customers handled by the UK entity, the FCA Rules Conduct in Business Conduct of Business (COB/ COBS), the Principles (PRIN) and the FCA's Rules on a firms compliant Systems and Controls (SYSC) applied; and where execution was in Dublin, passporting (EU provision of financial services from another jurisdiction) rules required MiFID conduct oversight and FCA–CBI coordination.

Put simply: once the contracts mention swaps, ISDA, and swap credit lines, Ulster Bank NI was operating in a regulated area—so the FCAs claim that these issues were “outside of their perimeter” are simply not credible.

The Houses of the Oireachtas Failure to Investigate and the Targeting of Lorraine Morris, Solicitor

When the Joint Committee of Inquiry into the Banking Crisis conducted its official Inquiry in Ireland (2014 to 2016), it deliberately confined its forensic scrutiny to the so-called “covered institutions” – those Irish banks that had received State guarantees. This definition excluded Ulster Bank Ireland, even though as an Irish domiciled subsidiary of RBS, it was regulated directly by the Central Bank of Ireland and had played a central role in the development and concealment of the fixed-rate-loan (FRL) swap credit-risk model.

By excluding Ulster Bank from its core audit, the Inquiry avoided exposing the derivative mechanisms through which credit risk was transferred from the bank to Irish SMEs, falsifying both capital adequacy and reported profit. Ulster Bank Ireland was treated in the Inquiry as if it were outside its remit, on the grounds that group control rested in the UK.

Professor Niamh Brennan, Non-Executive Director on the Ulster Bank board, in evidence to the Inquiry stated, on strategic reservation of powers:

*“As is normal in large multi-national companies, the strategy for the group is first set by the parent company. Subsidiaries operate within group strategy. Thus, the strategy for Ulster Bank was set by RBS at a high level. **Certain strategic issues were reserved to our RBS parent company and were not delegated (nor could they be delegated) to the local Ulster Bank board.**”* (emphasis added)

In reality, while the structured products (FRLs and swap credit lines) and the false accounting that underpinned them were conceived, executed and reported from Dublin, with clear supervisory visibility under Irish law, Professor Brennan advocated that the very bankers who created the fraud, should not be investigated in their home jurisdiction.

Another Whistleblower Speaks Out – Only to be Silenced

When capital markets and derivatives lawyer, Lorraine Morris raised multiple concerns — supported by three senior civil servants — that crucial information was being withheld or heavily redacted by both the Central Bank of Ireland and the banks, she was swiftly marginalised. Rather than engage with Ms Morris’s evidence, the Houses of the Oireachtas commissioned barrister Senan Allen S.C. to prepare what was, in effect — not an inquiry into her disclosures, but a character assassination designed to undermine her professional credibility.

Internal correspondence and Allen’s own commentary make clear that his brief was to discredit Ms Morris personally and professionally, portraying her as unreliable, so that her disclosures could be dismissed by officials, auditors, and journalists.

He refused to interview the civil servants who supported her concerns. Allen’s language mirrors the treatment of Mark Wright and countless other whistleblowers who dared to expose serious misconduct. Just as Andrew Bailey dismissed Wright as “*not a whistleblower*” because, as he said, “*it didn’t happen*,” Allen wrote of Ms Morris:

“The confidential informant’s perspective became so distorted that in the mind of the confidential informant there was only one rational point of view: that of the confidential informant. Any divergence from that point of view was perceived as being so bizarre that it could only be explained by an inference or suspicion of corruption.”

In other words, Ms Morris was condemned for refusing to parrot the official narrative — that *“mistakes were made, but no serious wrongdoing occurred.”* Allen then made his position explicit, adopting the same convenient blindness long practised by the FCA and, as Mr Aladhral continues to demonstrate, institutionalised across regulators:

“Several of those named in the report of 10 July 2015 are said to have shared the confidential informant’s concerns, suspicions and beliefs. I did not consider it necessary or useful to canvass with anyone... whether they did or did not share the concerns, suspicions or beliefs of the confidential informant.”

Mr Allen S.C. could not have stated it more plainly: he was not prepared to speak to anyone who might corroborate the wrongdoing. To do so would have risked exposing the very evidence he was appointed to bury. As the old adage goes, there are none so blind as those who will not see. This reputational destruction of Ms Morris, a senior lawyer in three jurisdictions, served two strategic purposes:

1. It ensured that no qualified independent expert could potentially find the Ulster Bank’s FRL fraud and the swap-linked lending structures’ misstated credit exposure within Irish regulatory returns.
2. It allowed the Irish Banking Inquiry to defend its narrow scope, by claiming that Ulster’s most serious misconduct lay “under UK supervision”, despite the obvious presence of Irish-booked exposures and significant losses.

The outcome was a systemic cover-up of derivative frauds within the Irish banking sector. The Inquiry Report presented a sanitised narrative of regulatory failure limited to domestic institutions, omitting the most sophisticated concealment mechanism ever operated from within Dublin.

Ms Morris’s treatment as the expert tasked with investigating the Central Bank of Ireland was emblematic of a regulator more concerned with protecting its own institutional credibility—supported by the Irish State—than with uncovering the truth.

By systematically undermining the professional standing of the one expert capable of demonstrating how the hidden credit lines operated to artificially distress SMEs - the CBI and the Irish State effectively sought to ensure that the Ulster Bank FRL / swap credit line frauds would never face formal Irish scrutiny.

Notably, Senan Allen S.C. was subsequently promoted to the High Court in 2018, underscoring the institutional continuity that shielded wrongdoing rather than challenging it.

This pattern of behaviour is not unique to Ireland. Across both jurisdictions, numerous whistleblowers, including Mark Wright who exposed misconduct at RBS, NatWest and Ulster Bank have been systematically targeted, discredited, and marginalised by the very regulators and agencies who are supposed to protect them.

The UK's Financial Conduct Authority (FCA) and the Houses of the Oireachtas are designated "prescribed persons" under whistleblowing law – tasked with safeguarding public-interest disclosures – yet they have instead acted to shield institutional wrongdoing and actively suppress those who reveal it.

What should have been mechanisms of accountability have instead become instruments of deterrence, ensuring that no insider or expert dares to expose the deeper, structural frauds that connected the Irish and UK banking systems.

Regulatory Failure & the Revolving Door

And what happened to those who ensured obfuscation, misinterpretation, and outright hostility was faced by anyone speaking up against the banks and their practices?

Well, 2018 was certainly quite a year if you were watching from the sidelines.

Charles Randell left his practice at Slaughter and May to become FCA Chair in April 2018, passing David De Souza in the revolving door on his way to the NWG shortly after the IRHP Review concluded—without the hidden credit line frauds ever being exposed. (Tracey McDermott, who had acted as FCA CEO during that Review and overlooked the same failures had already been rewarded with a move to Standard Chartered in 2017).

In October 2018, Senan Allen S.C. was promoted to the High Court and later to the Court of Appeal in 2022. Only Andrew Bailey, expected to succeed Mark Carney as Governor of the Bank of England in September 2018, had to wait until 2020 for his appointment, because the GRG saga was still casting a shadow.

Taken together, it's a textbook example of the revolving door: regulators and their advisers moving seamlessly into the institutions they once oversaw—or, in the case of former advisers, securing credibility, influence, and the opportunity to oversee any investigations into the advice they themselves had provided— for the regulators, a move often accompanied by far higher pay and benefits.

Meanwhile, the few businesses that had survived the swap/ FRL hidden credit line fraud and the GRG abattoir, struggled to stay afloat, with the vast majority of SMEs whose businesses were destroyed left to pick up the pieces.

And all the while, the hidden credit line cover-up continued, ensuring that those responsible faced little or no scrutiny and the systemic failures remained unchallenged.

35. The Treatment of NI SMEs - a Breach of the Good Friday Agreement?

Comparatively from the time it was confirmed a review was to take place, GB swap victims received a pause on payments, enforcement, and a route into IRHP review, and redress.

The Ulster Bank FRL customers were at the same time victims of a pre-meditated fraud. As James Hurley's articles confirmed Ulster Bank/NatWest secretly lodged "hidden credit lines" against SME borrowers on fixed-rate loans so the bank could shift the swap credit exposure from its own book onto customers—was an "appalling accounting fraud" and "effectively theft," in the words of a former RBS Capital head interviewed by the paper.

Since granting credit to enable a transaction in financial instruments is an ancillary service under MiFID (hence within conduct rules like Conduct of Business (COB & COBS) and systems/controls (SYSC)), any review that ring-fenced Ulster or derivatives/credit-line components out of scope could not credibly claim there was "no evidence" to examine.

The unequal treatment of NI borrowers—many shunted to Non-Core and into insolvency while cases in the Belfast High Court case against victim's companies are still pursued. This breaches basic rights to fairness and justice and is incompatible with the UK Government's Human Rights commitments in the Belfast/Good Friday Agreement's on non-discrimination principles.

In short: the Ulster Bank fraudulent conduct was not only illegal but regulated and carried out whilst the Treasury controlled the banks. The frauds have been flagged and acknowledged but the remedies offered in GB are still being withheld in NI—and the FCA has still done nothing.

For NI customers dealt with by Ulster Bank Ltd (UK), the FCA's COBS/PRIN/SYSC applied; and where trades were executed in Dublin, passporting required MiFID conduct oversight (with UK-IE regulatory coordination). On these facts, the FCA's position that FRL/credit-line misconduct sat "outside perimeter" is untenable for UK-entity business, and at minimum demanded FCA–CBI coordination for cross-border cases.

36. Hidden Credit Lines Not Limited to Swaps & FRLs – Debt Protection

This wasn't just a swaps/ fixed-rate loans trick. RBS Invoice Finance (RBSIF) also used debt-protection "credit lines" that were quietly marked against two parties when they were both NWG customers. The supplier using "confidential" invoice finance (Customer A) and the buyer who owed the invoices (Customer B).

In Confidential Invoice Discounting (CID), the buyer usually didn't even know invoice finance or debt protection existed. Yet inside NatWest/RBS systems (RMP), the buyer's file showed a live credit limit for that debt protection—counted like extra secured debt—so their borrowing headroom fell without warning.

Example: if Customer A's RBSIF cover against you rose from £50K to £150K, an extra £100K could also be posted on your credit record as a NatWest customer, shrinking what your

manager could lend you, albeit you as a customer was not aware of the £50K risk to start with and were never a customer of RBS let alone RBSIF.

RM's described seeing these limits appear overnight, then having to cut overdrafts or push new "support" loans to make room—never telling the customer the real reason. In defaults, the group could then try to recover the "protected" amount from the buyer (and even set off under personal guarantees) despite the buyer never being an RBSIF customer.

In plain English: hidden RBSIF invoice-finance credit lines loaded extra debt onto unsuspecting SMEs, who were not even RBSIF customers which both damaged their LTV/credit grade, and tightened credit, just as happened with swaps and fixed-rate loans.

The reason why this was possible is that a small RBS Invoice Finance team had been given live access by the Bank to the Group's Relationship Management Platform (RMP). That meant they could see and update files even for people who were NatWest customers and RBS customers, even when not signed up to RBSIF.

Those files held Personal Guarantee limits and often included full asset-and-liability statements. Using that confidential detail, the RBSIF managers could then write much higher credit limits than the market would normally allow, because they knew they could recover against the buyers' personal assets, including the family home.

As an example: where an outside Invoice Finance lender might offer a £30,000 limit based on a Dunn & Bradstreet credit score, RBSIF could set say £100,000 or £150,000 as a limit because it could lean on the PG and the customer's disclosed wealth. Where the customer would standardly pay circa 0.7% per month for invoice finance (IF) facility, if the customer also wanted to "insure" the buyer that would circa double the cost.

Whistleblowers have told us they were repeatedly trained to sell the product on the basis *"imagine this worked like an insurance"* but were not allowed to use the word "premium" for that cost.

One whistleblower told us that when customers were in difficulty or placed in GRG, the Invoice Finance (IF) team—seeing invoice cash flows and exposures in real time—could pull a credit line overnight. That sudden withdrawal often pushed the supplier or buyer into insolvency. The bank's collections arm then stepped in, charging exorbitant fees to chase the very debt liabilities it had helped to create, effectively 'cashing in' the customer, for large fees/profits.

In short, privileged access to the Group's RMP system allowed invoice-finance limits to be set—and yanked—based on confidential personal and business information, while the customer unknowingly carried all the risk. The so-called *Debt Protection* team were not protecting their NWG clients at all; they were profiteering from them, treating their livelihoods as chips in the bank's own casino.

Take Clive May and his company, Clive May Brickworks Ltd (CMBL). Within a few months, his buyer debt insurance was increased from £50,000 to £150,000—without his knowledge. At

the same time, his RM insisted his overdraft be cut by £100,000, citing “risk concerns.” Clive only became aware of the insurance increase because a long-term supplier remarked on how well his business must be performing to qualify for such coverage.

Clive later raised this glaring contradiction in Parliament: how could his creditworthiness be considered so strong that his customer’s insurer tripled cover, yet so weak that his own bank slashed his facilities by the same amount?

In other words, an invoice-finance credit line debt protection—set up in the background for someone else’s debt—was treated on Clive’s file like extra secured borrowing, squeezing his headroom even though he wasn’t a customer of RBSIF, hadn’t borrowed a penny more and knew nothing about it. This was another method of destroying a healthy business that was “performing” for the Bank’s profit.

We met Clive’s MP, Lord Hanson around September 2017; we explained how this had operated (after detailed discussion with RBSIF whistleblowers). He wrote to the FCA and NWG about our allegations. Over the following two months, and with virtually no public notice, RBSIF abruptly shut down its debt-protection arm, even going so far as to financially incentivise customers to transfer their coverage to other debt insurance providers.

When Lord Hanson finally received responses in early 2018, the bank and the regulator used current-tense wording to imply this wasn’t how things worked—carefully sidestepping the practices the NWG had employed and then stopped in November/ December 2017.

The FCA reply from the CEO went further, suggesting the credit amount was only a “nominal” figure (10/10 for continuity Mr Aladhal) - likely just 10% of the debt cover amount - and didn’t affect lending.

That was wrong: in practice, these hidden credit lines/liabilities were posted in full on customers’ credit records, directly drove facility cuts, increased the customer’s credit risk, and pushed them into GRG—exactly what happened to Clive’s company.

It is worth noting that John Griffith-Jones, FCA Chair until March 2018, had previously been CEO, Chairman, and Senior Partner at KPMG UK from 2006-07. He oversaw the firm’s UK audit operations during the period when KPMG missed the very real £1 billion theft from HBOS (as confirmed by Sally Masterton the HBOS Reading whistleblower) by the Reading criminals, which effectively contributed to the bank’s failure.

Griffith-Jones’ carefully worded responses helped ensure that practices like RBSIF’s hidden credit lines remained largely unexamined and unchallenged, leaving the SMEs to bear the cost.

In the CMBL case, the government’s BEIS office undertook an investigation and acknowledged he was, at one point, asked to provide personally circa £950,000 in security (assets and PGs) while his only live exposure at that time was a £50,000 overdraft. Unfortunately, the senior BEIS investigator repeatedly refused to investigate the hidden credit-line allegations, and/ or ask for that documentation.

When Clive later made a data subject access request (DSAR), he obtained emails showing that official had before finalising his report, circulated draft findings of his report to the Bank for comment—with confirmation that the report could be amended if they requested—before issuing it to Lord Hanson.

Taken together, that material raises serious concerns about regulatory independence and suggests potential public body collusion with a then state-controlled Bank during the period these duplicitous practices occurred and/ or were later allegedly ‘investigated’.

RBSIF was selling “debt protection” that walked and talked like insurance at a time when, we have been told, it didn’t hold an insurance licence. The regulator knew this because the bank had to place £1-for-£1 cash at the Bank of England to cover the risk—exactly what you do when you can’t rely on an insurer’s capital.

The reality was that, although CMBL’s supplier was charged a high fee sold ‘as if’ it was insurance, there was no policy in the customer’s name. The ‘Debt Protection’ sat with RBSIF, while the risk still sat on CMBL’s credit file.

That’s why, after overdrafts were slashed and the RBSIF ‘protection limit was raised—crippling a bricklaying firm reliant on CIS labour—CMBL was pushed into administration and then RBSIF immediately claimed the full outstanding ledger from the administrator. If Clive’s customer thought they’d bought insurance for themselves, this proves they hadn’t: the cover protected the NWG invoice-finance provider, not the client—and CMBL had effectively underwritten the whole risk.

Instead of clamping down when we raised this matter, the FCA’s Chief Executive wrote to Clive May’s MP with a description that, in our view, entirely misrepresented how the risk really worked, suggesting that the credit lines were just a small percentage of debt protection cover, perhaps 10%, and ‘nominal’ limits/ not real liabilities.

Whistleblowers have confirmed, that just is not true, yet again the FCA were misleading senior politicians to protect the banks interests.

We’re now seeing the same pattern in letters from the current FCA leadership that play down the swap and fixed-rate loan credit lines—saying, in effect, they weren’t a real customer risk, just ‘nominal’ limits.

In plain terms: in 2017 the watchdog knew RBSIF were running a scheme that needed cash-for-cash cover, improperly accessing private financial information from other companies in the NWG and putting credit risk against firms that were not its customers, but still sent MPs reassuring letters suggesting otherwise.

There seems to be a consistent stance of FCA executives minimising NWG exposures, rather than tackling the underlying conduct.

37. Bank Bailouts Bought the UK Austerity Not Prosperity

Let's be clear: around 2008/09 the UK had not committed £45 Billion as we were regularly told publicly for the bank bailouts but around £1.2 Trillion, between funding, guarantees and backstops—roughly half of GDP—to save the banking system.

If the public had been honestly told the scale and the conduct behind those balance-sheet holes, they would not have signed off on it; they would have instead insisted failing banks be allowed to fail and that responsible directors be prosecuted and jailed—just as Iceland did, 26 of them for a combined period of 74 years.

If you want to know why the UK economy has flat-lined since 2008—enduring over a decade of austerity, worse living standards, and some of Europe's latest retirement ages—ask the Treasury what the bank bailout really cost and where the losses were parked off balance sheet.

A simple yardstick of fortunes since then: compare the FTSE 100 (UK's top 100 companies) with the Dow Jones (the classic US index of 30 blue-chip American companies) from November 2007 onward. The FTSE has badly trailed the Dow, while the UK slogged through years of fiscal tightening. As the IFS records, we ran a double-digit deficit and then "fixed" it mainly with spending cuts and tax rises—a choice that helped rescue banks but left the broader economy limping.

From November 2007 to today, the FTSE 100 has risen by only 40% — a modest sub 2% growth per year. By contrast, the USA's Dow Jones Industrial Average has climbed by more than 300% (over three-fold), averaging about 8% growth per year. This stark gap shows how, despite the UK pouring public money and guarantees into its banks, our stock market has barely moved in real terms while the US surged ahead.

It underlines that rescuing the banks did not translate into broad economic strength here — leaving UK savers, pensioners and workers far worse off than their American counterparts.

The very generation whose money propped up the banks is now hit with the harshest retirement terms: work to 67, and in return a state/ mandatory pension worth barely 60% of what a Greek retiree gets. We were told we'd "avoided Greece's fate" by rescuing the banking system—yet, in retirement, we work as long and receive far less than our Greek counterparts.

Since 2008, the UK's wealth gap has surged—rising by 50% over just one decade in key measures. The top 10% now control more than half the wealth while the bottom 50% hold barely 5%.

That concentration gives the few huge leverage and leaves most households barely treading water—even as massive public rescue of banks bolstered asset values for the wealthy, and the Treasury's 'management' of state-controlled assets gifted substantial wealth opportunity to a select few.

Comparatively bankers/finance workers sit disproportionately at the very top of the UK earnings pile. To enter the top 1%, you need roughly £160K+ taxable income—and that group is heavily London-based, where finance dominates high pay. Rising bankers' bonuses accounted for about two-thirds of the growth in the top-1% income share after 1999, and their share didn't fall even after 2007–11.

Yet you can still run a bank without any qualifications; in fact, some years ago a board seat was awarded to someone we know, based on profits from Regional PPI sales alone, his policy was simple – he instructed his staff to sell PPI on every loan “or else”.

Regulators also show how extreme the pay can be: the EBA counted 1,957 “high earners” (€1m+) in 2021, with individuals in €10m+ bands—i.e., tens of millions in a single year. Recent reporting shows leading UK banks paying €17–20m to top rainmakers; one firm lifted average pay-outs for top UK investment bankers to £1.5m, with multiple staff over €7m.

Comparatively Icelandic banks' remuneration policies are explicitly competitive but proportionate and it had very few or zero €1m+ bankers in 2022.

But surely the NWG's executives must have cleaned up their acts since the bail out?

We attended the NWG AGM in 2017 and, from the floor, accused CEO Ross McEwan of running a dirty bank, asking him:

“Do you understand the principle of TCF – Treating Customers Fairly? If so, why does your bank's behaviour remain inherently dishonest, and why is it getting worse under your control?”

We set out evidence that staff had rewritten a customer's central credit file for the IRHP Review—adding 1,877 words in 2015 to a 2007 credit application—to try and dismiss/minimise his compensation in the Review. We confirmed they later relied on the doctored version in a court case; we put the original, the altered file, and the metadata proving forgery on the public record, in a video broadcast to shareholders globally.

We also read an email chain about a customer facing repossession who had sought help from his MP, George Osborne.

Osborne's office sent the evidence to Mr McEwan's business manager, Fiona Macdonald, without the constituent's permission, confirming: *“I did not tell him that I have forwarded the emails to you.”* Ms Macdonald replied: *“please don't respond and the team here will investigate. If we need to arrange a response, we will certainly copy or blind copy you in,”* after which Osborne's office concluded: *“I will not be replying to him.”*

Mr Osborne was then provided with responses from the Bank instructed him not to meet with us and including in the following statement in Red Bold: **‘DO NOT REPLY TO ANY CORRESPONDENCE FROM MR ... OR MR MIDDLETON ON THIS ISSUE’**. A clear example of who really held the power. We further asked Mr McEwan:

“The facts remain, Mr McEwan, that either you know about the misbehaviours of your bank, or you don’t—in which case you are possibly the only person in the UK not privy to one of the financial arena’s worst-kept secrets.”

Under the Senior Managers and Certification Regime (SMCR), Andrew Bailey and the FCA claimed bankers were made accountable after the crash, if only we had the SMCR regime back then they bemoaned, we could have taken some action against them. As CEO (SMF1) Mr McEwan had a statutory duty of responsibility to ensure credible allegations were investigated.

Rather than ask us to submit or qualify the evidence so he could investigate, he virtually ran off the stage without responding, and we never heard from him or the bank again on those issues. In fact, the Bank later tried to block Mr Middleton from a mediation process with the customer, because he had exposed that forgery publicly.

In 2017, the NWG was still about 70% state-owned. After we publicly called out forgery, perverting the course of justice, whistleblower mistreatment and manipulation of the former Chancellor’s office—live to shareholders globally, —what sanction did Mr McEwan face? He took home a £3.5 million income that year, and when he resigned in 2019, he was awarded a CBE for his services to the financial sector.

In the UK, crimes in banks are too often met not with prosecution, but with private regulatory warnings the public never sees; if misconduct isn’t exposed, bankers’ careers are rewarded, it would seem for “getting away with it”. The question is: how does that leniency with bankers serve our economy?

According to the World Bank’s GDP series, the UK economy was about \$3.09 trillion in 2007 and roughly \$3.64 trillion in 2024—an increase of 18% overall, which works out to an average growth of about 1.0% per year (CAGR) over 17 years. Iceland rose from about \$22 billion in 2007 to around \$33.5 billion in 2024—52% higher, or roughly 2.5% per year (CAGR) across the same span. These are nominal, dollar-denominated measures (so they reflect inflation and exchange-rate moves as well as real growth).

Janet—like tens of thousands of UK SMEs—bought “rate protection,” when advised to by the banks, then lost their businesses, factories and homes from behaviours they were told were necessary to protect banks’ balance sheets and the UK economy, but what was really being protected were the bonuses of the bankers who mistreated and misled them.

We accepted Austerity for the many; Champagne Tuesdays for the few, whilst Iceland locked up 26 bankers—and unlocked recovery.

38. Did NatWest Group Commit Crimes & Bust Customers for Profit – What the FCA Knew

On the 27 Feb 2017, at 14:53pm, a group of whistleblowers who had worked with Mark Wright at the NWG under the pseudonym ‘boreham wood’ wrote to Andrew Bailey and enclosed the customer default spreadsheet relied on in this report and the Rory Cullinan NWG internal presentation from November 2013.

That presentation confirmed detailed strategies in Non-Core in 2013 to exit customers and profit from them, accelerate customers exit and the spreadsheet confirmed that a new strategy to exit performing customers (not missing payments or exceeding limit) who were costly to keep on the books due to their poor credit grades (often due to undisclosed credit risk) aggressively by forcing lending defaults.

They also made disclosures about GRG practices, the involvement of HM Treasury, asset theft and the training of signature forgery in the NWG, naming the person who taught a number of their colleagues:

'<borehamfc@gmail.com> wrote:

Content Protected Disclosures

Dear Mr Bailey,

Apologies for failing to come back to you yesterday, I was advised that I had to hold fire in providing any further communications to you based on your behaviour to date when dealing with our former colleague Mark Wright as a significant RBS Whistle-Blower.

It appears that you are making the same mistake with us as you did with Mr Wright in that you as CEO of the FCA do not know the difference between what is whistle-blowing and what is a complaint. Under the circumstances are you telling us that we now have to make a complaint to the FCA that the attached document that was offered to you on multiple occasions from our colleague Mark Wright was refused by not only yourself but also other FCA staff multiple times?

Should we not now whistle-blow to the FCA chairman first as we believe your behaviour requires an immediate investigation based on risk to the public due to the culture you seem to be driving?

If you take a close look at the attached document you will see why the document is protected under the Public Interest Disclosure Act. Now many of us within RBS 1) Know what the document means. 2) What the document was used for 3) Who used it.

What we suggest you do is ask the Treasury if they gave RBS permission to use their name in a bragging document regarding the great work they were doing in thieving SME assets.

I hope that you agree with all of us inside RBS that the public reading that our employer steals assets from SME's then sends a victory email in celebration comes as no shock to the public.

However, if the public reading that HM Treasury were involved with the process of choosing which SMEs to destroy that would be a totally different story and cause outrage. We believe that our former colleague Mark Wright did challenge Chris Sullivan, Stephen Hester, Baroness Noakes on multiple occasions but was continually ignored.

He even challenged the former head of RBS Group Counsel Mr Campbell but again was ignored.

We have chosen to reply to you only and not our employer as you are aware from our colleague that it is impossible to speak out within RBS and dangerous if you do so. We hope that you do not simply forward this communication to both the RBS exec office and our current chair of RBS risk committee like the regulator has done on multiple occasions with Mr Wright.

*As well as the document attached we would like to make the CEO of the FCA aware that **our former colleague xxxxx xxxx was the RBS Employee ... that trained staff to forge signatures onto customer documents without the SME's consent** using the customers ISV. Her husband is still an RBS employee a Mr xxxx xxxx however **at the time when his wife was teaching signature forgery he was Regional Director of Commercial Banking** working very closely with another Husband & Wife team at GRG ... xxxxx & xx xxxxx who have many story's to tell.*

We look forward to a reply from you by close of business today, so we all know what action we now need to take based on your response and behaviour.

Yours Sincerely

RBS Whistle-Blower's' (emphasis added)

They received a response directly from Mr Bailey the next day, copying in his secretary and confirming he had received the email and enclosures:

From: Andrew Bailey <Andrew.Bailey@fca.org.uk>

Date: Tue, Feb 28, 2017 at 4:13 PM

Subject: Re: Protected disclosure content for CEO of FCA Mr Andrew Bailey

To: boreham wood <borehamfc@gmail.com>

Cc: Karen Jude <Karen.Jude@fca.org.uk>

Thanks - to be precise, it is 15 slides in all but 13 of substance if the first and last are not counted (as the title page and disclaimers respectively).

On the 28th of February 2017 some 16 months before the FCA press releases confirming that no further investigation into the NWG and GRG was required, the FCA CEO had documentary evidence and whistle-blower testimony proving that:

- A. The NWG had deliberately and systematically distressed viable SME customers, **transferring them to GRG in order to profit from their forced restructuring or insolvency.**
- B. NWG had intentionally worsened customers' financial positions **so the bank could profit from selling those businesses and their assets through GRG.**
- C. Certain senior managers acted dishonestly and without integrity—**unless, of course, permitting a spouse to train your corporate trainees in forging customers' signatures is, in the FCA's judgment, consistent with honesty and professional standards.**

Despite possessing clear documentary and witness evidence of these actions, Andrew Bailey the FCA CEO and the FCA executive, chose inaction over accountability. Instead of launching enforcement proceedings or referring the matter for criminal investigation, it closed ranks around the bank, later issuing press releases that falsely implied no further inquiry was warranted.

This decision not only undermined public confidence in regulation, but effectively sanctioned one of the most egregious abuses of SMEs in modern banking history.

Why Didn't the Banks and HM Treasury Do Deals with SMEs?

Following the public bail-out and the introduction of the Asset Protection Scheme (APS), one might have expected the HM Treasury-controlled banks to begin supporting the very SMEs whose taxes and labour had saved them.

Instead, the opposite occurred. Those of us not already butchered in the GRG abattoir found themselves targeted once again—this time through the aggressive defaulting and asset-stripping tactics set out in the Banks' own "Non-Core" strategies, or by being sold off in bulk to vulture funds such as Cerberus, at deep discounts.

There was never any genuine intention to restore or repay the trust of the small and medium-sized enterprises whose credit risk, assets, and livelihoods had been expropriated to plug the banks' balance-sheet black holes. The very businesses that had been milked to stabilise the banking system were left to collapse, while the State looked the other way, or in truth instructed such.

Surely, the logical questions MPs should be asking, as most/ all SMEs have asked on many occasions, are these:

1. Why did the banks not first offer their own SME customers the discounted loans, giving them the opportunity to re-bank elsewhere and protect their livelihoods?
2. Why did NatWest Group not allow SME borrowers to buy out their loans at the same 30% written-down value—the rate the government was effectively underwriting—instead of paying the Treasury to insure them?
3. Why did Ulster Bank sell entire loan portfolios to Cerberus for just 20% of face value, instead of allowing SME borrowers to repurchase their own loans at a fair discount, say 50% and recover a much higher sale value?

The answer is simple but damning: there was no profit in doing so. Under the APS, the state controlled banks in particular, were given three years to recover their losses—and they did so not from shareholders or the markets, but by extracting profits directly from their SME customers, stripping them of both their funds and their assets to refill the balance-sheet holes their own misconduct had created.

At the NWG, those recoveries came through a litany of financial abuses: undisclosed swap and fixed-rate-loan commissions, inflated margins, hidden credit exposures, and

default-driven profit harvesting. When a customer had already fallen victim to financial fraud—as with swaps, Fixed Rate Loans, and RBSIF hidden credit lines—it became all too convenient to obliterate the business, and ideally bankrupt the owners.

This manufactured a narrative that the business was failing anyway, while ‘tame’ insolvency practitioners/ firms then acted like a Mafia clean-up squad, sweeping in to remove any trace of wrongdoing and ensuring the Bank left no fingerprints, DNA, or paper trail behind at the SME murder scene.

What should have been an opportunity to rebuild the real economy became, instead, a culling of tens of thousands of healthy SME businesses and a state-sanctioned transfer of wealth from Britain’s productive base to its failed financial institutions.

39. The Enduring Legacy of the Tomlinson Report

The most striking and enduringly honest account of banking misconduct towards small and medium-sized enterprises remains *Banks’ Lending Practices: Treatment of Businesses in Distress* (2013) — the Tomlinson Report by Lawrence Tomlinson, Entrepreneur in Residence at the Department for Business, Innovation and Skills.

Many of us who have since engaged with regulators, government departments and redress schemes shared our evidence and experiences with Lawrence, recognising in him a rare integrity and independence of mind. His report documented, with clarity and compassion, the systemic engineering of defaults, the misuse of “turnaround” divisions such as RBS’s Global Restructuring Group, and the conflicts of interest between banks, valuers and insolvency practitioners.

He concluded that these practices had “*tipped the balance of power too far in favour of the banks*” and left viable businesses in an “*extremely vulnerable position*” — words that have proved prophetic in the decade that followed.

Rather than being supported by the very Government that appointed him, Tomlinson was attacked and de-banked by a still state-owned RBS. The treatment he received from the establishment stands as a stark warning of how truth is often met with hostility when it exposes systemic wrongdoing. Yet despite this, his integrity, independence, and steadfast commitment to fairness have never been in doubt.

Today, his work remains the benchmark for genuine independence in financial investigation. It stands apart from the managed reviews and conflicted oversight that followed. This report — and the evidence it contains — builds directly upon the foundation Lawrence Tomlinson laid: the pursuit of truth without fear or favour, and the unwavering defence of those whose businesses, families and futures were destroyed by institutional abuse of power.

We pay tribute to Lawrence Tomlinson — the only individual to have produced an honest, independent, and courageous report on this issue — and we dedicate this work, in part, to upholding the integrity and principles he exemplified.

40. SMEs vs Banks the Real Balance of Power - A Fitting Conclusion

Small and medium-sized enterprises form the core of the British economy. At the start of 2024 there were about 5.5 million SMEs (businesses with fewer than 250 employees), accounting for over 99% of all businesses, employing around 16.6 million people and comprising roughly 60% of private-sector jobs.

SMEs are responsible for nearly half of business turnover. By contrast, the UK's financial and insurance services sector employs only about 3.1% of all workers and contributes about 8.8% of economic output in its narrower definition (or approximately 12% when the broader category of financial-and-related professional services is included). The imbalance between the workforce size and the economic weight of these sectors is therefore marked.

It was the SME sector – Britain's engine of jobs, innovation, and tax revenue – that paid the price for the banks' misconduct.

When the banks rebuilt their capital after 2008, it was rebuilt on SME losses: excessive interest margins, hidden derivative commissions, and forced asset sales. Between RBS, NatWest, Ulster Bank and Lloyds tens if not hundreds of billions of pounds were extracted; from productive businesses and re-booked as profit under the guise of the "greater good."

A Return of Stolen Goods, NOT a Redistribution of Wealth

We repeat what Clive Lewis MP said when he opened the *RBS Global Restructuring Group and SMEs* debate in the House of Commons: *"If it is indeed that big, it may be the largest theft anywhere, ever."* (HC Deb, 18 Jan 2018)

Exposing this credit-line fraud and the FCA's cover-up is not about sensationalism, revenge, or redistribution; it is about justice — the return of what was wrongfully taken. The banks can afford it: profits are at record highs and capital buffers now exceed pre-crisis levels. Returning £40–£50 billion plus interest would not weaken them; it would strengthen the nation on which they depend.

That figure is not speculative. It reflects losses deliberately excluded from the FCA's narrow redress frameworks — consequential losses dismissed as "unforeseeable," some 10,000 "sophisticated" SMEs arbitrarily excluded from review, swap victims "re-sold" new swaps within the review itself, RBS GRG victims whose assets were transferred to West Register, and thousands of fixed-rate loan customers denied scrutiny altogether.

The harm was not only foreseeable; it was inevitable — and in many cases, within the NatWest Group and Lloyds Banking Group, it was planned. Their internal structures, incentives, and communications show that these outcomes were designed to extract capital and assets, not to protect customers.

Adding to the injustice are the thousands of victims driven into insolvency or bankruptcy, stripped of their assets, and then denied compensation because the same banks responsible controlled the insolvency process through their appointed "tame" practitioners. In many

cases, redress payments were diverted into bank-controlled estates, allowing the perpetrators to reclaim their own liabilities.

A just system would ensure that restitution reaches the people and families destroyed by these practices — not the insolvency practitioners or secured creditors who profited from them. Compensation must go directly to those who lost their livelihoods, homes, and health: the entrepreneurs and business owners who kept faith in a system that betrayed them.

Yet while the FCA continues to insist there is “*nothing to see here*,” it has quietly removed from its website all bank-level statistics on swap and fixed-rate loan compensation, refusing to release those figures under Freedom of Information, claiming disclosure is “not in the public interest.” These are the very data that would confirm the true scale of the problem. This is not transparency — it is a deliberate effort to conceal evidence that would expose the magnitude of losses inflicted on British SMEs.

Like the £38 Billion PPI redress, which revived household spending and supported growth for nearly a decade, a comprehensive SME restitution programme would act as a self-funding economic stimulus. Every pound repaid would flow straight into payrolls, suppliers, investment, and tax receipts, restoring trust and rebuilding communities across every UK region.

But restitution alone is not enough. There must be a reckoning — for the bankers who engineered the frauds, for the regulators who concealed it, and for the public institutions that abandoned those they were meant to protect. Until that happens, the message to every honest entrepreneur remains the same: crime pays, so long as it wears a pinstripe suit.

The time for concealment has passed. The time for **Truth, Accountability, and Restitution** has come.

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ACKNOWLEDGEMENTS

In finalising this Report, we worked closely with a small group of subject-matter experts, NWG whistleblowers, and victims of the NWG Hidden Credit Line Products and NWG's GRG. Their insights were invaluable in verifying the accuracy of the material concerning derivative structures, banking credit regimes, internal strategies, customer treatment, and the outcomes experienced by those affected.

In particular, Ian Tyler's deep expertise in derivatives and their accounting treatment provided critical understanding of how these instruments initially generated the profits the banks craved but later became the credit risks they were desperate to offload. His knowledge in this field surpasses anyone we have encountered.

Lorraine Morris, capital markets and derivatives lawyer, with her extensive background in documenting credit and other risks under ISDA Master Agreements and Credit Support Annexes, reinforced many of the concerns we have been raising with the FCA for more than a decade. Her technical precision and experience in this area gave further weight to the evidence and analysis presented in this Report.

We first met Ian Tyler and later Lorraine Morris through meetings and presentations organised by the Transparency Task Force (TTF). The energy, integrity, and relentless commitment of Andy Agathangelou, the TTF's founder, in exposing financial wrongdoing has been a rare breath of fresh air—particularly, after dealing with some alleged victim support groups, when at times they just devolve into self-help forums for the few.

The TTF's substantial involvement in numerous financial scandals—currently in the press, discussed in Parliament, and under investigation—speaks volumes about its expertise, credibility, and reach into media and political circles.

The TTF also serves as the secretariat for the All-Party Parliamentary Group (APPG) on Investment Fraud and Fairer Financial Services. Any MP with a genuine interest in tackling these abuses is strongly encouraged to contact the TTF and engage with the APPG.

We are also deeply grateful to the NWG whistleblowers who came forward—one in particular whose understanding of the RMP credit systems and internal customer categorisation and treatment processes has been invaluable on many occasions, in the last 10 years, in verifying our interpretation of the Bank's internal documentation and its real-world impact on customers.

Finally, we thank the many victims of the NWG banking scandals and the ongoing cover-up, some of whom we have known for over a decade and others we have come to know more recently. Their insights, comments, and evidence were vital in helping us make this complex subject understandable.

Clive May, in particular, deserves special recognition. A long-time ally of both of ours and determined campaigner for justice, his persistence and investigative skill have made him a formidable force—one the Bank itself and the FCA have learned to fear.

Through these collaborations, it became starkly evident that NWG's entire Non-Core division—encompassing around three million customers—functioned as an abattoir for viable businesses, systematically busting and asset-stripping not just the 16,000 SMEs often cited in press and Parliament, but tens of thousands more whose stories have yet to be told.

So many hardworking, decent business owners were unnecessarily ruined to protect the criminal behaviour of a few in the Bank and the City.

Enough is enough—these cover-ups must end.

S. D. Middleton

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