RBS in the dock over claims it misled select committee

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Royal Bank of Scotland has been heavily criticised for misleading MPs over its contentious division for struggling businesses.

Andrew Tyrie, chairman of the Treasury select committee, said that the bank had been "wilfully obtuse" in evidence it gave to the committee about its global restructuring division, which has been accused of exploiting ailing companies rather than helping them.

Having repeatedly told MPs that GRG was not a "profit centre", RBS has admitted that the description was accurate. Chris Sullivan, the bank's deputy chief executive, told the committee last month that GRG was "absolutely not a profit centre" and that describing it as such would be "totally inappropriate".

Mr Tyrie said: "If this is how RBS deals with a parliamentary committee, how much can customers and regulators rely on it to be straightforward?"

GRG has been the subject of allegations that it charged excessive fees to the taxpayer-owned bank's financially distressed customers and that it deliberately drove businesses to the wall to profit from their assets.

RBS said that it had disputed the term "profit centre" because it felt it was being unfairly used to "suggest that GRG had a profit motive with a prejudice against our customers, rather than a turnaround motive".

A report by Sir Andrew Large, a former deputy governor of the Bank of England, found that GRG was an "internal profit centre", in that its financial performance was measured based on the income it generated, minus its operating costs.

Since the division could choose which customers were transferred to it, Sir Andrew warned that GRG could be prone to conflicts between the bank's interests and those of troubled customers.

MPs repeatedly asked Mr Sullivan and Derek Sach, head of GRG, whether Sir Andrew's conclusion was correct.

In June, Mr Sach said he believed Sir Andrew had "got it wrong". However, in a letter to Mr Tyrie, Mr Sullivan said the bank did "not disagree with . . . Sir Andrew Large" any longer. Sir Andrew said that he was "surprised" by the evidence RBS gave to MPs, while Mr Tyrie said the bank had performed a "belated U-turn".

A recent job advertisement for a relationship manager position within GRG boasted that the division was a "major contributor to the group's bottom line".

In further embarrassment for RBS, in which the state owns 81 per cent, Mr Sullivan corrected his statement to MPs that he had not seen a draft version of an independent report into GRG written by Clifford Chance, the law firm. He admitted that, after checking with his office, he had seen a draft copy and that he "made some comments of a typographical nature".

Allegations into the conduct of GRG were first aired publically by Lawrence Tomlinson, a former government adviser. He accused RBS of making directors passengers in their own businesses, of loading punitive charges on companies and of placing artificially low values on assets to maximise returns.

RBS strongly rejects the allegations.