Royal Bank of Scotland accused of corrupt practices with small business investors

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A cache of emails leaked by a whistleblower confirms previous allegations that the Royal Bank of Scotland (RBS) deliberately destroyed the livelihoods of its small business customers to boost its own profits. Furthermore, the record shows that Britain's political and financial authorities knew all about it and never lifted a finger.

RBS is Britain's largest high street and investment bank and the biggest lender to small and medium businesses. It was one of several high street banks that faced collapse in 2008. The then Labour government stepped in to rescue the banks from the results of their own reckless and socially criminal practices, allowing them to continue operating without any change of direction or additional supervision.

Then Chancellor of the Exchequer Alastair Darling took an 83 percent stake in RBS, pumping in £45 billion of taxpayers' money, and authorised a slew of other measures worth nearly one trillion pounds to keep the banks afloat. No one faced sanctions or criminal charges. Since then, successive governments have enforced draconian austerity measures on the working class and youth, privatising and gutting public services and slashing the social safety net on which millions of families depend, in order to pay for the bailout.

The government urged the banks to lend to small businesses as a way of "rebalancing the economy" away from the dependency on financial services. Instead, secure in the knowledge that it had government backing, RBS used its privileged position to rob and cheat the very people it was supposed to protect and support.

Buzzfeed News and the BBC's current affairs programme *Newsnight* have published RBS documents, marked "secret," revealing that after the bailout RBS ramped up its efforts to squeeze cash out of its struggling small business customers by pushing about 12,000 firms into its controversial "turnaround division," the Global Restructuring Group (GRG).

GRG insisted that they sell off their assets to RBS' property division, West Register, and take out additional loans and financial products, supposedly to protect against rising interest rates, and threatened to pull the plug on them if they refused. As a result, GRG's loans to its customers rose five-fold between 2007 and 2012 to more than £65 billion.

This was not some rogue operation but deliberate policy. An RBS email in 2008 urged its staff to mount "a dash for cash" from the bank's business customers because the bank was in financial difficulties and needed more money. An RBS executive described how in the "Project Dash for Cash," staff were asked to look out for companies that could be restructured or have their interest rates bumped up. Other documents show that where business customers had not defaulted on their loans, bank staff would search for reasons to justify moving the business to GRG or ways to "provoke a default."

Customers could be moved into the GRG group simply for falling out with the bank. According to the leaked documents, RBS was passing information about properties held by customers transferred to GRG to West Register even before the companies had agreed to sell them. Of the 1,483 business customers transferred to GRG in 2012, only 452 cases were returned to normal banking.

The bank paid its staff higher bonuses as a reward, based on the fees charged for "restructuring" customers' debts, cutting their loans and generating cash from them.

Many of the small businesses pushed into the GRG say that they lost their businesses, their health--both physical and mental health due to the stress--their homes and in many cases experienced family break-ups. RBS faces litigation from a number of businesses suing the bank for improperly valuing their assets and bullying them to force them out of business.

These latest revelations support the allegations made in a November 2013 report by Lawrence Tomlinson, a multi-millionaire business advisor to the government, about RBS' and other banks' practices, following widespread concerns about the banks' operations. His report found:

· "Many examples" of property revaluations without site visits, and mistakes in documentation

· Property taken over by RBS later sold for a price higher than the bank's own valuation

· In one "very clear example," the reasons a business was put into GRG "changed throughout the conversation"

· One business submitted evidence that their time in GRG had cost them £256,000 in fees alone

Tomlinson said, "The treatment that some of these companies have had is horrendous," adding, "RBS did more than its fair share to fuel this, and commercial property lending was one of the key drivers of our near collapse as valuations rapidly plummeted."

RBS' chief Sir Philip Hampton said he took Tomlinson's allegations "extremely seriously" and commissioned "an independent report" from City lawyers Clifford Chance, who apparently found "no evidence" to back up the claims.

Business Secretary in the Conservative/Liberal Democrat coalition, Vince Cable, acknowledged that the Tomlinson report had produced solid evidence, but kicked the bank's criminality into the long grass. He ordered the Financial Conduct Authority (FCA) to conduct a "skilled persons report" into these allegations, which were by no means the first to have surfaced. He also referred the report to the Prudential Regulation Authority. The Serious Fraud Office was also reportedly considering holding an investigation.

Nothing has come of any of these enquiries. Three years later, the FCA has still not published the report it commissioned from two firms of consultants, Mazar's and Promontory, or even named a date of publication. While the FCA claims that "a number of steps" are still required before it can publish its findings, the government is believed to have played a role in withholding its report.

The Treasury Select Committee held an enquiry into the allegations in 2014 at which senior executives at GRG, Derek Sach and Chris Sullivan, treated MPs with the financial oligarchy's customary disdain for the truth, insisting that GRG was "not a profit centre." RBS and GRG executives repeated that statement 27 times, saying it was "totally inappropriate" to call it a profit centre.

This was a pack of lies. A confidential internal document, approved two years earlier by Sach, stated that GRG was "a major contributor to the bank's bottom line." Indeed, the GRG group made nearly £1.2 billon for RBS in 2011. The leaked documents show that even Deloitte, RBS's own auditor, was concerned there was a "reputational risk" of "perceived conflicts of interest."

Just weeks later, then RBS chairman Sir Philip Hampton was forced to admit it was a profit centre. He compounded the bank's dishonesty by saying there had been a "lack of clarity," but that it had been "an honest mistake." Fully three years later, the MPs are "considering" re-opening the case because "they were misled."

These latest crimes in the bank's retail division follow numerous examples of the most egregious criminal activity on the part of RBS--and other British banks--that have attracted derisory fines. In almost every case, it was the US, not the British authorities, that imposed the penalties. They include:

· Mis-selling mortgage bonds to credit unions in the US in the run up to the 2008 banking crisis. RBS faces fines that are likely to exceed £10 billion.

· Mis-selling payment protection insurance (PPI), resulting in compensation payments of £4.3 billion, with the final bill set to rise far higher.

· Tax evasion by an RBS subsidiary's Swiss operation over a 10-year period until 2014.

· Rigging Libor, a key benchmark lending rate, between 2006 and 2010.

· Rigging the foreign currency rate Forex.

· Breaching US sanctions regulations.

· Money laundering.