Big banks ready to extend disputes scheme

Companies win key concession after pressing their case over redress scheme

James Hurley

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Chris Richardson fought legal battles with Royal Bank of Scotland after The Coniston Hotel in Sittingbourne, Kent, failed

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that date back almost two decades after the banking industry agreed to consider extending the scope of a new redress scheme.

Britain's biggest banks are working with representatives of small businesses on the dispute resolution service, a new voluntary, industry-funded ombudsman scheme for companies not covered by an extension of the ability of companies to access the Financial Ombudsman Service, which came into force this week.

In addition, a new scheme will allow the owners of small companies to ask for past grievances against banks to be examined where their complaint has not been assessed by a previous compensation scheme.

A spokeswoman for UK Finance, the banking industry trade body, said that the steering group setting up the schemes would "consider the basis on which the start date might be extended back to January 1, 2000". The scheme had been intended to look at claims that originated after 2008. However, UK Finance added that such an expansion was subject to successfully "addressing significant operational and regulatory challenges".

Lewis Shand Smith, 67, the former chief ombudsman who is independent chairman of the dispute resolution service implementation steering group, said that the service would be "key to rebuilding a relationship of trust between banks and their small business customers".

The initiatives come after a succession of scandals involving the mishandling of small and medium-sized companies by high street banks, including industry-wide mis-selling of complex interest rate swaps and the poor treatment of struggling companies by Royal Bank of Scotland.

Victims of misconduct often have had nowhere to turn, since commercial lending is not regulated and accessing the courts can be too expensive for many. Calls for the creation of a specialist independent tribunal to rule on complaints were rejected by the government, but the banking industry agreed to address the issue.

The all-party parliamentary group on fair business banking has expressed concerns about the new schemes, but it said that it was pleased that these were "being taken seriously" in discussions with the steering group.

Seven big banking groups have signed up and it is understood that they have agreed to hand over internal documents to case reviewers.

Kevin Hollinrake, co-chairman of the parliamentary group, said that there was a "clear willingness from the banks to deal with the outstanding legacy cases and to properly compensate the victims of past misconduct. There is still a long way to go, but I am more confident that we can establish a scheme that provides fair redress to as many individuals as possible."

much had been paid and how many companies were benefiting.

It had been expected that any redress payments would be capped at £350,000, but the Treasury has told UK Finance that discretion should be used when making awards. The banking industry said that it would be willing to pay more than £350,000 in compensation to deserving cases.

However, Mr Hollinrake, 55, claimed it was “illogical” that there was an annual company turnover limit of £6.5 million for accessing the historic redress scheme, while the new “forward-looking” complaints scheme was available to those with annual sales of as much as £10 million. He said that a maximum balance sheet value of £7.5 million should be the cap for accessing both schemes. UK Finance says that the £6.5 million limit matches that of the extended access for companies to the Financial Ombudsman Service.

The parliamentary group is also demanding that companies that have been through previous redress scheme are able to access the new initiative. Business owners who had been through previous redress schemes often had “not had access to a truly independent and fully competent redress mechanism”, Mr Hollinrake said.

He also demanded a moratorium on legal action being taken against businesses that may be able to access the dispute resolution service.

UK Finance is aiming for the schemes to be open by September. It said that the financial costs involved for the industry would be “significant”.

It is unclear whether people whose businesses are now insolvent will be able to claim. UK Finance said that their inclusion was being considered.

Global Restructuring Group (James Hurley writes).

He has lost court cases over the loss of his venture, The Coniston Hotel in Kent, which was purchased by West Register, the property division of GRG, in 2010.

However, a regulatory report commissioned by the Financial Conduct Authority subsequently found that his case was an “extreme” example of how having a property development unit linked with a lender can influence the bank’s treatment of customers.

Mr Richardson, 54, welcomed the banking industry’s commitment to create a new redress scheme for companies too large to complain to the Financial Ombudsman Service. However, he added: “I fear the payouts will be too small. There would need to be a limit of £5 million if this is going to work. A lot of businesses that have been in GRG will tell you £350,000 is nothing against what they have lost.”

RBS has said that Mr Richardson’s allegations of wrongdoing are baseless.

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