Now I can bale out of RBS, says Kiwi Mr Fixit Ross McEwan

He may have saved the bank from its toxic past, but there are challenges ahead for his successor

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Family time: Ross McEwan and his wife Stephanie at Flotsam & Jetsam, the cafe that their daughter Hana, left, runs in south London

Ross McEwan was plagued with doubt after having a knee operation. The pain made the Royal Bank of Scotland boss wonder whether he had been right to go ahead with the surgery in March. It soon became clear, though, that the long-term result would be worth the initial trauma. “Six weeks after the operation I thought, what have I done to myself?” he said. “Then I thought, thank goodness, that was a good decision.”

McEwan’s knee is not the only thing that has been repaired during his seven years at RBS. Sitting in the bank’s revamped offices near London’s Liverpool Street station last month — days after accepting the top job at National Australia Bank (NAB), having given 12 months’ notice at RBS in April — McEwan was in the mood to reflect on his gruelling tenure.

After joining as head of the retail bank in 2012 and becoming chief executive the following year, the New Zealander steered RBS through one of the biggest- ever corporate restructurings, slashing its investment banking arm and withdrawing from 20 countries. He hacked back the balance sheet from £1.1 trillion to £730bn, stripped out more than £4bn of costs and cleared whopping mis-selling fines.

The bank returned to profitability in 2017, having racked up losses totalling almost £60bn since 2008, and has started to dish out dividends again.

RBS is now swimming in cash, with excess capital reserves, and the chief executive is preparing to return a chunky amount to long-suffering shareholders.

Last Friday, RBS unveiled a bumper £1.7bn dividend but warned that it would miss profit targets for next year.

“McEwan has done a good clean-up job,” said Ian Gordon, an analyst at Investec. “I’m expecting about £9bn in dividends and share buybacks over the next three years, worth about a third of the bank’s market capitalisation.”

That is the sunny side of the story. On the stormier side, thousands of small businesses are still reeling from mistreatment at the hands of RBS’s restructuring unit after the financial crisis. McEwan’s botched attempt to spin off some 300 branches into a new bank — ordered by the EU as punishment for taking £45.5bn state aid — wasted an eye-watering £2.5bn. He has closed more than 1,200 branches and shed 50,000 jobs globally. The share price has dropped by about 40% under his watch, and the government still owns a 62.4% stake.

However, RBS has undeniably turned a corner, silencing critics who doubted that the bank would recover. “It feels incredibly good,” said McEwan, 62.

The search for his replacement is led by chairman Sir Howard Davies. The charismatic former City regulator quipped in March that McEwan was being replaced gradually — starting with his knee. Alison Rose, head of RBS’s commercial and private banking business, is seen as the internal front-runner. She faces external competition from Ian Stuart, the UK boss of HSBC.

McEwan, who earned £3.6m last year, said he did not have another role planned when he resigned. Was he tempted to relax after his seven-year slog?

“I’m not too sure I know how to chill out,” he said. “I chill out at weekends.”

A basic salary of A$2.5m (£1.4m) at NAB, rising to A$9.5m if he hits targets, may have encouraged him to accept.

McEwan grew up in Hawke’s Bay, dubbed the “fruit bowl” of New Zealand for its natural produce. His Australian father, Max, went into banking straight from school and moved to New Zealand, where he met his wife, Vena, who worked in haberdashery. McEwan grew up with two older sisters and a younger brother.

He threw himself into sport at Massey University, where he met his wife, Stephanie. He chuckles when asked about failing an accountancy module in his business and human resources degree: “To be fair, it was accounting 201 — I did get the basic papers quite easily.”

McEwan joined the graduate trainee programme at Unilever in 1980, staying for five years before moving into the tyre industry with Dunlop NZ. He moved into financial services at National Mutual New Zealand, and had stints at Axa and First NZ Capital Securities before joining Commonwealth Bank of Australia in 2003. It was after losing out on the chief executive's job there that he came to Britain.

The McEwan family has put down roots: one of his two daughters, Hana, has a cafe in Wandsworth, south London.

When he joined, RBS was riddled with problems — not just the legacy of its reckless lending before the 2008 crash. "I came into the business about two months after the technology crisis," McEwan said, referring to a system meltdown that blocked accounts and home purchases. RBS was fined £56m over the debacle.

He succeeded Stephen Hester as chief executive. Hester, now boss of the insurer RSA, had clashed with the government, which then had an 81% stake. "After McEwan joined, it seemed much calmer," said Dame Jayne-Anne Gadhia, a former RBS colleague. "**He said it was because he had worked out who the boss was. At that point, I guess he meant the government.**"

McEwan set out plans to ditch the global empire built by Fred Goodwin, its disgraced pre-crisis chief, and close the investment bank, leaving just a markets business. The task was enormous.

Other issues were bubbling up. More than 16,000 small firms were handled by the bank's Global Restructuring Group (GRG) from 2005 to 2013, and a significant number were damaged by the unit meant to help them, according to the Financial Conduct Authority. **McEwan has been criticised for failing to acknowledge the extent of the crisis. "Ross's style has been quite combative, and as a result we don't think there has been as much progress towards resolving outstanding SME [small and medium-size enterprise] issues," said Nikki Turner of the lobby group SME Alliance.**

Now, however, he admits "we didn't get it right how we dealt with customers. Our people were so distracted and had so many cases coming at us, we couldn't deal personally with each one. That felt incredibly bad to customers — and it was."

McEwan's attempt to carve out a new bank, as punishment for its bailout, was another failure. The original plan was to sell the branches to Spanish rival Santander. After that deal collapsed in 2012, it was decided to split them off under the revived Williams & Glyn brand.

McEwan said the decision to create a new bank was taken before he became chief executive. He added that Williams & Glyn was almost ready to launch when the Bank of England cut interest rates to 0.25% in 2016, squashing its chances of being a profitable bank. What about the £2.5bn spent on Williams & Glyn?

"It's gone," he said. "Quite clearly, people can say, 'Ross, you failed on it.' We set out to do it the best way we possibly could. The effort we put into that was Herculean." After talks with the Treasury and the European Commission, RBS instead created a £775m fund to boost competition in the market.

Customer service is another sore point. "While there are some public things I've disappointed on, with GRG and Williams & Glyn, the biggest one for me is not getting the net promoter score [a measure of customer loyalty] up," McEwan said.

The bank will soon launch Bo, a rival to digital challengers such as Starling and Monzo. RBS's business bank already has a digital service called Mettle.

McEwan sees technology-focused companies as the biggest threat to every industry. "If you're not great digitally, you've got a problem," he said. Meanwhile, low interest rates and ferocious competition in the mortgage sector are hitting banks' profit margins.

He faces more challenges at NAB — criticised in an Australian inquiry for excessive fees — and some friends think he is mad to take on more short-term pain. But he cannot resist a good repair job.

Watchdog: we do care about bank's victims

Small businesses "need better protection" in the wake of the Royal Bank of Scotland scandal, according to the City watchdog.

Andrew Bailey, chief executive of the Financial Conduct Authority and a candidate to be the next Bank of England governor, insisted that the FCA cared about the thousands of victims of RBS's Global Restructuring Group, many of which collapsed.

"The idea that we sort of washed our hands of it is far from the truth," Bailey told The Sunday Times.

"Of course, we do care about it a lot, and actually we do think that small firms need better protection."

The FCA came under fire in June when it published its final report into the treatment of small businesses moved into RBS's turnaround division after the financial crisis until 2013. The report was branded a whitewash.

It said that GRG "was largely unregulated" and so the FCA's power to take action was "very limited".