

Victims ‘won’t trust’ bank redress scheme for small companies

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Lewis Shand Smith is leading a group implementing the schemes for adjudication and redress

The banking industry has been warned that the dispute resolution schemes it is setting up to help companies who have been mistreated will not be trusted by victims unless significant improvements are made.

The all-party parliamentary group on fair business banking has set out its concerns to Lewis Shand Smith, the independent chairman of the group that is implementing new voluntary adjudication and redress initiatives.

Criticisms include an alleged lack of appropriate representation of victims on the steering group establishing the schemes and eligibility criteria that “will exclude a significant number of claimants”.

UK Finance, the City trade body, is leading the creation of a voluntary ombudsman scheme for companies who are not covered by next month’s extension of the ability of businesses to access the Financial Ombudsman Service. It is also setting up a scheme that will allow an estimated 60,000 small business owners to ask for past grievances against banks to be re-examined where they feel their complaint has not been properly dealt with.

The initiatives follow 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 products and the systematic poor treatment of struggling companies by Royal Bank of Scotland.

In January the government rejected calls from the Treasury select committee, the Financial Conduct Authority and victims' representatives for the creation of a new specialist independent tribunal to adjudicate on claims.

The government has also resisted pressure for small business lending to be regulated, although the banking industry has been warned by Philip Hammond, the chancellor, that these decisions may be revisited if its voluntary schemes do not provide fair results.

Mr Shand Smith, former chief executive of Ombudsman Services, Britain's key financial arbiter, is leading a group implementing the schemes which UK Finance said was independent and would listen to victims.

Kevin Hollinrake, the Tory co-chairman of the parliamentary group, told Mr Shand Smith that the composition of the group was "weighted in favour of those that have an association with UK Finance".

He said that a turnover limit of £6.5 million for accessing the historic redress scheme would unfairly exclude many potential claimants and was illogical given that the voluntary ombudsman scheme had a threshold of £10 million.

A spokeswoman for the steering group said: "We have invited the chair of the all-party parliamentary group to participate as a full member of the steering group but are yet to receive his decision. We hope they will join us in establishing a new redress scheme that small businesses can have confidence in."