

New chancellor Rishi Sunak cashed in on fund that helped break banks

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Sunak: worked at hedge fund from 2006 to 2009

Rishi Sunak was part of a small team of hedge fund bosses who shared nearly £100m after an audacious stock market bet that lit the touchpaper on the 2008 financial crisis.

The new chancellor was a partner at the hedge fund TCI when it launched an activist campaign against the Dutch bank ABN Amro in 2007, resulting in its sale to the Royal Bank of Scotland (RBS).

The deal loaded RBS, at the time led by Sir Fred Goodwin, who was stripped of his knighthood in 2012, with crippling debt and led to a £45.5bn government bailout.

Sunak's time at TCI between 2006 and 2009 made him a multimillionaire in his mid-twenties and, according to fund managers who worked with him at the time, set him on the road to becoming chancellor.

TCI, which is run by the secretive billionaire Sir Chris Hohn, is feared in boardrooms for taking aggressive positions in listed companies to force management to change strategy.

The ABN Amro deal became a symbol of the hubris that led to the financial crisis and forced an upheaval of the banking system, but it was lucrative for TCI, which made £555.9m profit in the year of the deal, according to its 2007-8 accounts.

Over the two years TCI mounted its campaign against ABN Amro, profits distributed to the partners came to £93.2m, according to the hedge fund's accounts.

The profits were shared between 19 partners, including Sunak, an average of nearly £5m per person.

The majority of the overall profits of nearly £900m were donated to the Children's Investment Fund Foundation charity.

A source who worked with Sunak at TCI said: "He always was very clever. He didn't have the ego some fund managers tend to have. He was a good lad, a good chap learning his trade."

Sunak's timing appears to be impeccable: he left TCI in 2009, just before a slump in the hedge fund industry caused by the global downturn.

Appointing a chancellor so closely associated with the banking crisis is likely to cause alarm among those who believe that it was caused by the aggressive tactics of hedge funds such as TCI.

Hohn appeared in front of a Treasury committee in 2009 to explain the role of his fund in the ABN Amro deal.

The fallout led to RBS becoming majority-owned by the taxpayer. As chancellor, Sunak is responsible for overseeing the sale of the 62% of the bank still owned by the government back to the private sector.