RBS scheme to help businesses and rivals veers off track BCR lost credibility FT Opinion 2 March 2020 Cat Rutter Poole

RBS is preparing to cut more than 1 billion pounds ($1.25 billion) of annual operating costs by eliminating jobs and closing branches as it seeks to bolster profitability, said a person with knowledge of the plans.

RBS is required to offload at least 120,000 out of a pool of 220,000 customers by August

All aboard the Challenger Bank Express, the train few desire to take. Mandarins want business customers to wave farewell to Royal Bank of Scotland and hello to any one of a crop of challengers. They made it a condition of the 2008 RBS state bailout. But despite a golden ticket worth up to £50,000 a time for businesses prepared to switch banks, customers just won't go.

The clunkily-named Banking Competition Remedies is the body employed by the government to engineer the change. It has £775m of RBS's money to pay business customers to switch and small banks to find ways of attracting them. That is a good idea in theory. Cash helps to convince inert customers to move. It should also give newbies more heft to break the oligopoly of RBS, Lloyds, Barclays and HSBC. BCR is more than halfway through the scheme, however, and only a fifth of the 120,000 customers that RBS is meant to lose have left.

Efforts to boost alternative lenders are also veering off track. BCR says it is not to blame for problems with the project design. It is the "engine driver", or so its boss says, following a route set by others. The route-map is full of misdirection. Customers only have until August to get the incentive payout for switching, unless the scheme is extended. If they switch now, the challengers may not have the products in place to service them. Lenders received funds from BCR to invest in their business banking less than a year ago. It takes longer than that to build a bank.

Challengers should not be pressed to move faster either. Titches complain they are hindered by onerous capital requirements. The Bank of England has already warned that lending standards at fast-growing firms are lacking. **But progress has not just stalled, it is reversing. BCR must take responsibility.**

It gave credence to pie-in-the-sky plans by challengers predicated on soaring current account switching and market growth. BCR rewarded Metro Bank with its biggest prize — £120m — even after the lender admitted it had bodged its sums.

It took the bank, not BCR, to decide last week that the prudent thing to do was hand some back. BCR has forfeited its credibility. Some of the money will reach the right destination. But RBS's money could have been more effectively deployed by a better qualified driver.