

REGULATORY INTELLIGENCE

Pressure mounts on banking redress scheme to adopt Cranston loss methodology

Published 06-Mar-2020 by
Lindsey Rogerson, Regulatory Intelligence

The newly created Business Banking Resolution Scheme (BBRS) is facing mounting pressure from lawmakers to adopt a "gold standard" methodology developed by Sir Ross Cranston's team to compensate HBOS Reading business owners.

BBRS is currently testing its processes with a small number of cases in a pilot project, but lawmakers want it to use the same method for calculating consequential loss as is being used in the reassessment of cases ordered after the Cranston Review concluded that many of those who had gone through Lloyds Bank's earlier redress scheme had not had their cases dealt with properly.

Kevin Hollinrake (Con), co-chair of the All Party Parliamentary Group (APPG) on Fair Business Banking, said during a Parliamentary [debate](#) last month into the mistreatment of small and medium-sized (SME) business owners by Lloyds that it cannot be fair that the banks should be allowed to set the parameters by which they will compensate their victims. Hollinrake said the Cranston Review provided a "gold standard" to test all such redress schemes.

"I think it is crucial that the work/processes and learning from Sir Ross and this re-review are captured and transplanted in to the BBRS scheme to underpin credibility. From the evidence the APPG has seen, this poor quality of work when reviewing businesses driven to insolvency was also replicated in reviews by other banks. So, it is vital that the attention to detail that the HBOS victims are now receiving is captured in the BBRS process by chief adjudicator Alexandra Marks and her team," said Jim Shannon (DuP), a member of the APPG on Fair Business Banking.

The BBRS declined to commit to following the Cranston methodology.

"The work being undertaken by Sir Ross Cranston is completely separate from the BBRS scheme. The BBRS' approach to consequential loss will be determined and announced in the coming weeks," a BBRS spokesman said.

Pilot

The BBRS was already under pressure to extend the pilot to include cases involving businesses which their owners maintain were forced into administration by the actions of their lenders.

As Thomson Reuters Regulatory Intelligence (TRRI) [reported](#) on January 24, Andrew Bailey, chief executive of the Financial Conduct Authority (FCA) and governor-designate of the Bank of England, has repeatedly said that in his opinion cases involving insolvency — and therefore judged to be complex by the BBRS — should be included in the resolution scheme.

Bailey listed the work he had done alongside the APPG on Fair Business Banking, which led to the establishment of the BBRS, among his achievements during his time at the FCA during a hearing of the Treasury Select Committee on March 4. Bailey iterated that he hoped the BBRS would "provide an environment where small firms feel they can get recompense when their bank has mistreated them".

The BBRS has consistently declined to include insolvent cases in its pilot.

"For live pilot, we are selecting a small number of cases across the participating banks and representing a variety of complaint types. We are doing this in order to test our processes, policies and methodology so far developed. [The] live pilot is not intended to fast-track any complaints nor will cases involving insolvency or other complexity be suitable for live pilot. This is because there will not be time during the short duration of live pilot to review such cases. However, all cases registered with the BBRS will be looked at once our full service launches later in 2020 and, if a case is eligible for review by the BBRS, it will be taken forward then," a BBRS spokesman said.

An SME victims' advocate familiar with the cases keen to register with the BBRS told TRRI that the overwhelming majority of cases include an element of insolvency. They questioned the point of the BBRS testing its systems on cases which did not involve insolvency.

Transparency

A BBRS spokesman told TRRI in September that an announcement on the composition of its board would be made by the end of November 2019. At the time of going to press, significant roles including that of chairman and non-executive directors have not been made public, despite Samantha Barrass, chief executive of the BBRS, stating in a [recruitment brochure](#) that the "board was now in place".



The brochure was seeking a head of communications for the BBRS. The role was been advertised with a six-figure annual salary in an email seen by TRRI. According to Glassdoor, the salary data group, the current average annual salary for a head of communications in the UK is £61,419.

BBRS said it would not disclose the salary for the head of communications role.

In February, BBRS announced that it had appointed the Centre for Effective Dispute Resolution (CEDR), a dispute resolution group, to help it review cases. Alexandra Marks, chief adjudicator at the BBRS, was chair of the CEDR until she joined the BBRS in November 2019.

A spokesman declined to say what CEDR was being paid for its work for the BBRS.

[Complaints Procedure](#)

Produced by Thomson Reuters Accelus Regulatory Intelligence

06-Mar-2020



THOMSON REUTERS™

© 2020 Thomson Reuters. All rights reserved.