



Northern Ireland
Assembly

Committee for Enterprise, Trade and Investment

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Ulster Bank: Impact of Systems Failure on
Businesses and Consumers

11 October 2012

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

Committee for Finance and Personnel

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Co-Chairperson)
Mr Daithí McKay (Co-Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mrs Judith Cochrane
Mr Gordon Dunne
Ms Megan Fearon
Mr Paul Frew
Mr Paul Girvan
Mr Alban Maginness
Mr David McIlveen
Ms Maeve McLaughlin
Mr Mitchel McLaughlin
Mr Robin Newton
Mrs Sandra Overend
Mr Peter Weir

Witnesses:

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|--------------------|-------------|
| Mr Jim Brown | Ulster Bank |
| Mr Stephen Cruise | Ulster Bank |
| Mr William Higgins | Ulster Bank |

The Co-Chairperson (Mr McGlone): I welcome to the meeting Mr Jim Brown, chief executive of Ulster Bank; Mr Stephen Cruise, head of branches and private and financial planning in Northern Ireland; and Mr William Higgins, director of RBS Group operations.

I invite the witnesses — presumably yourself, Mr Brown — to make an opening statement, after which we will have enquiries and questions from members. I think that, from our previous meeting, you are well aware of the format. Thank you again for attending this morning.

Mr Jim Brown (Ulster Bank): Thank you, chairman. I am joined today by my colleagues William Higgins and Stephen Cruise. William is the head of RBS Group operations, which includes responsibility for Ulster Bank, and during the period of the incident he was on site at Ulster, providing daily interface with RBS Group operations. Stephen is the head of branches, retail and financial planning in Northern Ireland and has been leading our personal banking team in Northern Ireland in dealing with the issues arising from our systems failure.

Today we want to update you on progress since our last appearance before the Committee on 5 July; to outline the measures that we have taken with a view to ensuring that nothing like this happens again; and to update you on the redress programme that we have put in place. At the same time, I want to leave the Committee with three clear messages. First, the systems failure has been resolved and robust measures are being put in place with a view to ensuring that there can be no repetition of the issue or its impact on our customers. Secondly, all our customers are being returned to the financial position that they would have been in had the incident not occurred, and they are receiving fair redress for the inconvenience caused. To date, we have provided redress of more than £18 million to nearly 300,000 customers in Northern Ireland. Thirdly, we are determined to move on from the issue and to continue to play a full part in the recovery and future growth of the Northern Ireland economy.

What happened over the summer was unprecedented in the RBS Group, and, once again, I acknowledge that the level of service that our customers experienced during this period was unacceptable and that it caused widespread frustration and inconvenience. No one should underestimate the level of focus that the incident has provoked at RBS and at Ulster Bank. As we said to the Committee previously, we are deeply sorry, and we apologise unreservedly to all those affected. We understand the impact of the matter, and we have been working tirelessly to put things right for our customers and to rebuild confidence and trust.

When we last met, I explained the background to the systems failure. By 16 July, batch processing times had returned to normal and the majority of our customers had been restored to a business-as-usual service. At that stage, a small percentage of outstanding transactions had to be processed, and they were progressively cleared over the following weeks. RBS has commissioned a thorough independent report into the root causes of the information technology (IT) failure. In addition, a further report has been commissioned by the Financial Services Authority (FSA).

We will be as open and candid as possible in today's meeting. However, I am sure that you will understand that, given that the investigations are ongoing, we might at times be limited in what we can say on certain issues. The investigations will be completed over the coming months, and I am happy to write to the Committee with details of the relevant findings when they are made available. In advance of those reports, RBS has already put in place a number of measures to reduce the likelihood and impact of another failure. We have already taken steps to improve the resilience of the batch, making it less complex in identifying ways of separating brands and recovering more quickly in the unlikely scenario of a similar incident occurring.

Specific actions that have been taken since July have included revising key processes to take into account the customer impact as a priority; strengthening the testing procedures that are applied when changes such as software upgrades are made; implementing better monitoring to better inform progress and decision-making during the running of the batch, including better early warning of slippages in the schedule; and further strengthening the management and authorisation processes around changes to the batch.

Over the next six months, RBS will implement changes to the batch to make it less complex. Those will include identifying the parts of the batch process that could be done during the day, as opposed to overnight; investigating what can be done to make the batch processing quicker; and examining what can be done to reduce its complexity. As part of a programme of work that is starting next year, RBS is also looking at further segregating the brands to create a completely separate and independent batch process for all brands, including Ulster Bank.

I will now update you on our redress programme, which is designed to return customers to the position that they would have been in had the incident not occurred. We announced our redress programme on 31 August, which was later than I would have liked. Given the scale and duration of the systems outage, drafting and defining a restitution plan was always going to be a complex task. We found ourselves in an exceptional situation, which was unprecedented in the history of the RBS Group. In the design of the process, we consulted extensively with external stakeholders, recognising that their feedback had an essential role to play, and we arrived at a settlement that we believed was both fair and comprehensive. Care was taken to ensure that restitution was available to those who were left out of pocket or inconvenienced. We made every effort to make the process easy for customers, but you will appreciate that, as everyone's circumstances are different, it is simply not possible to define a one-size-fits-all solution.

The programme has four elements. It automatically refunds customers who were charged when they should not have been. In addition to refunding charges, it reimburses reasonable out-of-pocket

expenses for those who have incurred them. It also reassures customers that their credit status will not be impaired, and it recognises inconvenience caused. As I stated, to date in Northern Ireland we have provided redress of over £18 million to nearly 300,000 customers. As regards customers of other banks who wish to claim out-of-pocket expenses, a process has been agreed with counterpart banks, and the evidence to date is that that is working satisfactorily.

To conclude, I will make some further observations from a wider perspective. In the days and months ahead, it is important that trust and confidence are restored, because we intend to play our part in the economic recovery and future growth of Northern Ireland. Northern Ireland is important to Ulster Bank, and Ulster Bank is important to Northern Ireland. We take seriously the responsibilities that come with the pivotal role that we play in this society. Ulster Bank has been here since 1836 and employs more than 2,000 people. We have a leading share of the business banking market, and we are deeply involved in every aspect of life here — cultural and sporting, as well as financial. It is also important to note that RBS has injected £13 billion of capital into Ulster Bank since the banking crisis of late 2008. Since then, Ulster Bank has lent over £1.5 billion in new mortgages, and we have provided £850 million in new and increased overdraft and loan facilities to small and medium-sized enterprises (SMEs). In addition, in 2011 alone we committed £1.8 million to supporting community, sport and culture across Northern Ireland. We want to work with our many stakeholders to learn from this experience with a view to playing a full and proper role in a prosperous Northern Ireland to the benefit of all its citizens.

Thank you, Chairman. We are happy to take any questions.

The Co-Chairperson (Mr McGlone): None of your colleagues wishes to add anything to that, do they?

Mr J Brown: Not at this stage, thank you.

The Co-Chairperson (Mr McGlone): On a point of clarification, you mentioned that you have provided redress of £18 million to nearly 300,000 customers. How many customers do you have in Northern Ireland?

Mr J Brown: We have about 800,000 customers.

The Co-Chairperson (Mr McGlone): Of those 300,000, how many received out-of-pocket and actual compensation?

Mr J Brown: The £18 million covers all the compensation over and above the fees and charges that the customers should not have incurred. About 150,000 of those customers were paid the up-front fee of £20, which was for those who had to come to the branch more often. The rest of it was made up of a combination of fees that were waived during and for three months after the incident, as well as the extra deposit interest that we paid in compensation over and above out-of-pocket expenses.

The Co-Chairperson (Mr McGlone): So, does that mean that not all your customers received the £20?

Mr J Brown: That is correct.

The Co-Chairperson Mr McGlone): So, three out of eight customers received some form of redress. You might not have it with you today, but could you provide the Committee with a detailed breakdown? The 300,000 were people who received their 20 quid; is that right?

Mr J Brown: One hundred and fifty thousand of the 300,000 received £20, although they might have received other compensation over and above the £20. An additional 150,000 people received some form or other of redress, whether that was a waiver of fees, extra deposit interest, or payment of out-of-pocket expenses.

The Co-Chairperson (Mr McGlone): Can you provide us with some of the exact detail? You might not have it with you today, but it would be very helpful indeed.

Mr J Brown: Yes.

The Co-Chairperson (Mr McGlone): It was a major crisis, and your contingency plan simply did not work. It obviously fell flat on its face. I have a couple of questions. Where is the corporate RBS review at the moment?

Mr J Brown: If I could just share with you a little bit about the contingency plan, after which I will hand over to William Higgins to talk about the technology issues. It is true that the incident was a major disaster from the bank's perspective; there is no doubt about that. It is also clear that we had issues with the contingency plan and our systems operating as they should have. The systems were down, so, clearly, we could not process transactions for quite a few days.

That said, other aspects of our contingencies worked well, particularly here in Northern Ireland. What I mean by that is that we were able to mobilise the branches quickly to roll out extended hours during the week and to open on Saturdays and Sundays and 12 July. We put extra people in to the call centre. That all happened very quickly.

So, that sort of contingency worked, but, of course, we still had the bigger IT issues to deal with. William, perhaps you would like to comment on that?

Mr William Higgins (Ulster Bank): Yes, just to confirm that we know the root cause, and we have produced a report, which is with the Financial Services Authority, our regulator. It is undertaking an investigation as we speak. As you know, in broad terms, the FSA has statutory powers, and it can levy fines. Obviously, it can force us to take remedial action. We have been taking action, and we will continue to take action over the incident. Lastly, the FSA can take action or sanctions against individuals, so it is very serious in its nature, and quite rightly so. That investigation is going on at the moment.

I have been interviewed as part of the FSA's investigation. It is obviously difficult to go into detailed specifics, because I do not want to pre-empt or prejudge a completely independent review. It has appointed specialists to work with and advise it.

So, where the issue itself is concerned, I am very confident indeed that we have understood the root cause and have resolved it. We have de-risked the issues and put further controls in place. As Jim Brown said in his opening statement, work is ongoing to further segregate and de-risk.

The Co-Chairperson (Mr McGlone): So, can you share with us some of the broad conclusions of your own review?

Mr Higgins: That is part of the investigations, and I have signed a confidentiality clause with the FSA. At this stage, I would be very uncomfortable doing that, because I would like the FSA to complete its independent assessment. When that information is available, the relevant parts will be made available.

The Co-Chairperson (Mr McGlone): Just to get this absolutely clear, am I right in thinking that your confidentiality clause relates to the internal report to RBS and not to evidence that you gave to the FSA?

Mr Higgins: No, it relates to the FSA investigation itself. Our report is part of that investigation. When we conducted our own investigation, a copy of that report was quite rightly requested by the FSA, which is conducting its own investigations. So, that is part of the overall investigations and is obviously due to —

The Co-Chairperson: I am sorry; I am not getting this quite clear. Does the confidentiality agreement that you signed with the FSA relate to the evidence that you gave or to your capacity acting on behalf of the bank in the investigation and report commissioned by RBS?

Mr Higgins: It relates to both, because the report is part of the FSA investigation.

Mr J Brown: Perhaps I can explain. The RBS board independently commissioned an investigation into the root cause of the incident. I think that we have already shared that with the Committee; the root cause related to a software failure in our batch processing system. It was fixed during the incident, and, as I mentioned, the system is clearly working well. There is a report specifically on that matter, but it has not yet been released and has now been caught up and is being reviewed in the FSA's investigation into issues that are broader than the root cause of the incident. We expect the

investigation to conclude in the coming months, and RBS intends to make public the key findings of our investigation once the process is complete.

The Co-Chairperson (Mr McGlone): Just to get it clear on my own mind, I heard you say that the RBS report that you commissioned was exclusively on technology matters. Did it not consider management issues, the failure of contingency, and so on?

Mr J Brown: Just to clarify, Chairman, I pointed out that the first part of the RBS investigation looked at the root cause of the incident — in other words, what went wrong with the technology on the night in question. Subsequent to that, the FSA has launched an investigation into issues that are broader than the cause of the incident, such as looking at what else went wrong and what else happened during that extended period. The initial report that has been completed is now part of FSA's overall investigation, which is broader than that of the RBS.

The Co-Chairperson (Mr McGlone): I am sorry if I am labouring this business, but it is important. The independent report that you commissioned was solely about what actually happened, not how it was dealt with.

Mr J Brown: That is correct. RBS intended to look at broader issues in the initial process, but that has now been superseded by the FSA report that has been commissioned.

The Co-Chairperson (Mr McGlone): Would you not find it a wee bit unusual to commission a report that looked at a single issue, that is, the problem, in absolute isolation to the way that it was handled?

Mr J Brown: As I tried to explain — perhaps I can try again now — RBS's initial investigation was on the root cause. It was intended that a second phase of the investigation would be carried out on the broader issues, but that has now been superseded by the report that the FSA commissioned to look at those broader issues.

The Co-Chairperson (Mr McGlone): OK. Before I hand over to the Chairperson of the Committee for Finance and Personnel, I should clarify some things for members who arrived late. We have agreed that the sequence of questioning will be in order of party — in other words, DUP, Sinn Féin, UUP, SDLP, the Alliance Party and finally the Green Party — and that parties agreed that a member from their respective groupings would front on that.

The Co-Chairperson (Mr McKay): Thanks very much, Chair. I welcome the witnesses back to the Assembly and to this joint Committee meeting. Following on from your last point, Chair, I think that the joint Committee should consider corresponding with the FSA, as it seems to be playing a key role in this episode.

At our previous meeting with you on 5 July, which was watched intently by members of the public and the media, on compensation Jim Brown told us:

“we will get something finalised in the next two or three days, so that is the end of this week or early next week.”

From that meeting, we, the media and the members of the public who had watched the meeting were under the impression that a compensation scheme would be in place within a few days. However, one week passed, two weeks passed, three weeks passed and eight weeks passed before something was eventually published on 31 August. I think that that is absolutely scandalous. Obviously, members asked a lot of difficult questions at that time, but we felt extremely misled by those comments in July. We were severely disappointed that you gave us the impression that the compensation would be available within a few days. What was the reason for that?

Mr J Brown: It was definitely our intention to produce a communication launching the programme within a relatively short period. When I appeared before you on 5 July, that was definitely the intention. Subsequent to that meeting, as we got into the details of what we should be paying in compensation — we already had some of these points in mind when I appeared before the Committee — it became evident that the issues that customers had to deal with were more complex than we originally thought. So, we went into a wide consultation process and talked to various consumer bodies, SME bodies, ombudsmen and regulators over a period of weeks. Obviously, we also looked at the complaints that we were getting from customers at the time.

The Co-Chairperson (Mr McKay): What was that period, specifically?

Mr J Brown: The consultation process basically took the full eight weeks. I can come back to you with the exact details, but it was quite a lengthy period.

The Co-Chairperson (Mr McKay): So, was that roughly all of July and August?

Mr J Brown: Yes. When I came before you in July, it was our intention to launch the redress programme reasonably quickly, and we thought that we could do that. As we got into the complexity, we decided to go into a broader consultation process, which took —

The Co-Chairperson (Mr McKay): Surely you should not have given that commitment. If you had an understanding of the situation, which I think that most of us had at that time, you should have just been honest and said, “We honestly do not know when a redress scheme will be put in place.” I got the impression on 5 July that Ulster Bank already had the habit of giving the impression to us and to the media that something would be in place the next week or the following week. We were just being thrown a line, and I find that unacceptable.

Mr J Brown: I understand your views. As I said, we decided to go into a wide consultation process, which involved meeting with quite a number of bodies and considering feedback from the various parties. That took us a number of weeks. When the programme was ready, we launched it. From what we have seen so far, it has gone reasonably well since that date. As I mentioned in my opening statement, we have already given redress to 300,000 customers, and we have already provided for £18 million for Northern Ireland alone. Yes, the time frame took longer than we thought it would — I would be the first to admit that — but I think that the length of time that we took and the consultation process that we went through have resulted in a better outcome for the experience of our customers. Stephen Cruise might want to add to that from a customer perspective.

Mr Stephen Cruise (Ulster Bank): As we said, fewer than half of 1% of people have come in to complain about a delay in the issue being sorted out. Any delay has been because of the need for correspondence between us and the customer.

Where the overall scheme is concerned, during those eight weeks we took a note of any customer complaints, challenges or conversations about being out of pocket, and those were submitted to the centre. So, we had a very tight system in place to make sure that we dealt with anybody who had a query during July and August.

Since the redress scheme kicked off after the final weekend in August, the process that we have put in place has been able to resolve 92 % of complaints at the first point of contact when people came in. On day one of the incident, we went out to the press — Jim Brown gave 15 interviews that day to different sections of the press, and I went on ‘Talkback’ — to try to make sure that we put out clear information about the broad redress policies that were in place. We then used as many ways as we could — online, telephone and in branch, as well as freepost envelopes — to make sure that we met the needs of the different types of individuals who were particularly affected by the process. In addition, we provided up-front redress of £20 to 150,000 customers. That was for those individuals who had had to specifically come in to the branch during that four-week period. I do not mean to be humorous in any way, but the interesting thing in my family is that my 14-year-old son got the £20, whereas my 21-year-old daughter did not, and that caused a real problem. My son had had to come into the branch once during that period, whereas my daughter came into the branch regularly. However, that proved that those who had to come into the branch during those four weeks got the £20 if their coming in was out of kilter with how they had behaved during the four weeks previously. That was what the £20 was for. The £20 compensation grabbed the headlines, but we also have a broader policy, which, thankfully, our customers have been able to avail themselves of since then.

The Co-Chairperson (Mr McKay): I hope that you gave your daughter £20 to keep the peace.

Mr Cruise: She is 21, so she can make it somewhere else.

The Co-Chairperson (Mr McKay): For me, the issue has two aspects: the fallout from the IT problem, which is an RBS issue; and the communications issue, which is for Ulster Bank. In my opinion, the communication was very badly handled. Do you accept that lessons could be learned from that?

Mr J Brown: I have no doubt that lessons can be learned. Obviously, I have thought about this a lot since the incident, but one of the key challenges that we faced was that we were communicating to our customers and the market generally in good faith on when we expected the system to be up and

running. The biggest issue was that the problem was far more complex than was originally thought, so we were given revised dates about when the system would be up, which we communicated to our customers accordingly. Our intention was always to be open and honest with our customers, but, as you know, missing dates caused us a lot of problems. That was a big issue in the media, and it was a challenge. If I were looking at this again for lessons learned, one key issue is whether we could have understood the complexity of the issue sooner, and, if so, whether that might have led us to manage the communication in a different way. I do not know the answer to that, but that is clearly the biggest issue that we had to grapple with.

On the other side, looking at the positives, I think that, under our contingency plans, the response from our staff, who really went out to help our customers, was also a key learning point from my perspective. The staff really rose to the challenge, and I thank them for that. The support that our customers have given us through the incident, and post the incident as well, is also key. However, the biggest issue was managing the extended delays. As I said, we were communicating in good faith, but the IT disaster became a PR challenge. That is a fact.

The Co-Chairperson (Mr McGlone): Picking up on that briefly, I got a text message about that this morning. Are you satisfied that all accounts that encountered difficulties with displaying exchanges of money that were coming in and out — lodgements and the like — have all been sorted now?

Mr J Brown: I am confident that they have all been sorted. There may be the odd reconciliation process as part of the usual running of the bank, but I am not aware of any specific issues that are outstanding.

The Co-Chairperson (Mr McGlone): Do you have something called step accounts?

Mr Cruise: Yes.

The Co-Chairperson (Mr McGlone): Is there a specific problem with those? Certainly, a constituent of mine seems to think so. Nothing has shown in his account since June.

Mr Cruise: I do not believe that there is a problem with step accounts, but I am happy to take that up after the meeting. The direct answer to the question whether the glitch has had a lasting result on step accounts post the incident is no.

The Co-Chairperson (Mr McGlone): Thank you for that. The next question is from the DUP.

Mr Newton: Thank you, Chairman. I welcome the members of the Ulster Bank to the Committee. I will ask about three areas: the problem itself; how Ulster Bank handled the problem for individuals and businesses; and the future. I have some concerns about the man in the street, if we can describe those involved as that, and that he had to queue in Ulster Bank and how he felt as though he had not been valued by the bank as an account holder. How was that handled, and what have you learned from it for the future?

Ulster Bank made the fairly major headline:

“How we’re refunding fees, charges and interest”

yet there is a very strong perception among individuals in the community that they have not been treated well and that not all their costs have been addressed. Some individuals have had to move outside the bank to get loans to cover the period when no money transfers into their accounts were being shown, and so on, meaning that they incurred larger costs. As I understand it, those are not being handled.

From the business perspective, there has been reaction from business organisations such as the Federation of Small Businesses (FSB), which is a thoroughly major representative body. It has said of your compensation scheme that the general perception of the compensation element is that it is derisory. It also indicated that there was a negative impact on credit rating. It does say that Ulster Bank has undertaken to rectify any negative comments or scores. I would like to understand how that is being done.

You indicated that you regard Ulster Bank as being a significant aspect of the Northern Ireland economy and its well-being. I indicated to you on 1 July that I regard it in the same way. How will

Ulster Bank take forward the Bank of England and the Treasury's initiative for Britain's main lenders? Most of them have signed up to that, and it has seen:

"borrowing rates beginning to come down."

What impact has Ulster Bank had? Within that scheme, it said:

"in addition to removing arrangement fees for new business loans drawn down under the scheme, interest rates on eligible business loans would be cut by an average of one per cent."

How is Ulster Bank making use of and addressing that scheme for the future of the Northern Ireland economy? I assume that Ulster Bank and RBS are in it.

My questions are about the handling of the problem for the individual and the business community, as was. When will the problem finally be solved and everything put to bed, and how is Ulster Bank dealing with the Northern Ireland economy, particularly where the Bank of England and the Treasury's initiative is concerned?

Mr J Brown: As I said, we consulted widely prior to launching the redress, including with the various bodies that you mentioned.

We took the feedback on board. Our idea was to make the redress process as simple as possible and to do as much of it as proactively as we could. Since the launch of the redress process on 31 August, we have compensated 300,000 customers, the majority of them proactively. Of those 300,000, 10,000 customers, both personal and business, have made individual claims. As Stephen Cruise mentioned, we have already processed 9,000, so only 1,000 are still in process. We have said that, if customers are not happy with the compensation that we have offered, they can use the normal complaints process and we will look at those complaints. Indeed, we are more than happy to take away and look at the individual cases that have been highlighted. The idea is to make it as simple as we can to recognise those who have suffered losses and to be as proactive as possible but to have in place a process that allows us to look at cases in which customers have compensation requirements that are over and above the things that we have done proactively.

Mr Newton: Some individuals may have had to move outside the banking system to get, say, a payday loan to cover the next week or month. Will the bank cover the costs that they have incurred as a result?

Mr J Brown: We will look at such cases. If those costs have been incurred as a result of the problems that were suffered at Ulster Bank, yes, we would.

Mr Newton: Will that apply to any customer who has had not just to take out a payday loan but to move outside the system itself? Will you consider any case in which an Ulster Bank customer has incurred an additional cost?

Mr J Brown: That is correct. We have said that if customers have incurred any incremental out-of-pocket expenses as a result of the incident we will look at those cases. We also have a process whereby we will pay additional compensation over and above those costs.

I will hand over to Stephen Cruise to talk about the specifics of credit checks, but I should say that we have put in place a process with the credit bureaux, including the Northern Ireland Credit Bureau, to ensure that customers' credit records are not impacted.

Mr Cruise: If someone wants to check their credit rating, we will fund them to get a copy of their search results from Experian or wherever else. If they are not happy with anything in that check or if something negative has emerged, they can bring it in and we will investigate the matter with the other bank involved or on our own behalf. At the time, we made arrangements not to send files ourselves, but our promise to customers is to ensure that their credit references are not damaged either inside our bank or by another bank. So, we need to see the form with the customer, work with them and on their behalf sort out anything negative that comes up in a credit reference search.

Mr Newton: Why, in that case, would a significant organisation such as the FSB comment that the general perception of the compensation element is that it is derisory?

Mr Cruise: I believe that that comment, which came on the very first day we announced the compensation scheme, was made because the focus went straight to the £20 element. However, we said today that £18 million has been given to 300,000 customers. If you do the maths, that is an average of £60 each.

There are four different parts to the redress programme, but it was the £20 element that was picked up by a number of organisations. When last Tuesday Minister Wilson was asked a similar question — unfortunately, I cannot remember which MLA asked this — he commented that a number of customers said that they are fully satisfied with the process. The previous time that I was here, you were very complimentary about the staff in the branches; thank you for that. That is the message that we are hearing. I can understand why, on day one, someone might have made a judgement on that element of it, but the reality is that a number of customers have come in and said that they are satisfied. As for why things took six to eight weeks, the business-as-usual process is that someone makes a complaint, and, if that does not work out, they have a chance to go to an ombudsman or elsewhere. The important and unique aspect of this redress programme is that, a customer who comes in and makes a claim but finds after they have left that they forgot something, did not have some piece of paper or did not remember a particular knock-on, can come back for a subsequent visit. If some of the small business customers feel that the compensation element is derisory, they are welcome to come back and make that point to us. We have been open about that right through the process; this is not a case of saying, “This has to be sorted today. If you do not get everything in today, it’s not going to work”.

Mr Newton: It was not an individual but the organisation that represents small businesses that called the compensation element derisory. It was not an off-the-cuff remark; it was in a two-page response about your compensation scheme.

Mr J Brown: As we said, the compensation scheme covers a wide range of elements looking at everything from fee refunds to compensation for out-of-pocket expenses, additional interest, payment for inconvenience and having to go to the branch and so on. Our view, based on the research that we undertook, is that the scheme is fair in how it compensates customers for inconvenience. As I said in my opening statement, we have already compensated nearly 300,000 customers nearly £18 million.

Mr Newton: I note that Mr Cruise mentioned that the average was £60 for each person. I do not think that in the mind of any businessman £60 would compensate for all their inconvenience. Perhaps we can look to the future and at what Ulster Bank is going to do.

Mr J Brown: As we said, Ulster Bank is committed to Northern Ireland. Indeed, as I pointed out in my opening statement, RBS has committed £13 billion of capital since the crisis erupted in 2008. We are very active in lending in Northern Ireland, and, over the period, we have lent £1.5 billion in mortgages and £850 million to SMEs.

Ulster Bank is also a big supporter of the various schemes that have been launched. As I understand it, the bank provides 80% of the funding for the enterprise finance guarantee scheme in Northern Ireland, and we recently launched our participation in the funding for lending scheme, which you just mentioned, with a large transaction that was widely publicised here last week.

Mr Newton: When will you finally, finally, finally have everything in this debacle put to bed?

Mr J Brown: If you are thinking about getting customers back to business as usual, they are doing their day-to-day banking as they have normally done. We need to finalise the redress process, but, as we said, we are not putting a final date on that or saying that it will drop dead in December this year, December next year or whenever. Customers can come to us at any time. Over time, the number of enquiries will naturally reduce, but the process will stay in place.

For us, the key issue is to get back to business as usual as quickly as possible. We have to go through the investigation processes, which will take some months, but aside from that it is now back to business as usual.

The Co-Chairperson (Mr McGlone): Thanks very much, Mr Newton. Before I come to Mr McLaughlin, I want to briefly ask about credit ratings, which have just been mentioned. What about customers of other banks whose credit ratings might have been affected because of a lack of flow of capital, payments or whatever from an Ulster Bank account?

Mr J Brown: We have worked out a similar process with other banks, but I cannot give you the specifics of it.; I do not know whether we have those details to hand.

Mr Mitchel McLaughlin: Thank you, Chairperson, and I thank the witnesses for their presentation thus far.

Obviously, the issue has caused very significant angst. I concur with your comments about your staff's forbearance and patience in having to deal with perhaps insufficient information and perhaps in extremity in dealing with issues that are outwith their direct responsibility and for which they may not have sufficient training. However, we are talking about people in fairly desperate circumstances who needed answers.

I note and welcome the confirmation of the independent reviews that have been initiated by the RBS and the Financial Services Authority. I know that you will not go into the details of them — that is perfectly understandable and I have no intention of going there — but your customers and the community would be very interested to know the terms of reference of those reviews. I do not expect that those will be available to you at the moment, but can you share those with the Committee so that we know the scope of the reviews?

Mr J Brown: It would be up to the Financial Services Authority to determine whether it wanted to publicise the terms of reference of its review. The RBS review has not yet been made public, but, as I mentioned, the intention is to make known the findings of that review once the investigation process has been completed. As I said, the review is to look at the key issues that caused the IT failure on the night of the incident. However, we clearly want a lot more to be investigated, and that is part of the wider scope of the FSA review.

Mr Mitchel McLaughlin: OK. Although I do not detect a yes in that answer, I expect that the review will examine the causes of the crisis, and I believe that the bank will require outcomes and conclusions to prevent such a thing happening in the future. So, too, however, will your client base and your potential client base. It would be appropriate if people were satisfied that the review is a thoroughgoing one and that we are going to examine the issues that affect both the client and the bank's business. I accept that we will have to deal separately with the Financial Services Authority. However, I think that we need to know the terms of reference, who is conducting the review and the time frame for it. Has it started already? What time frame has the review group been given to complete its report?

Mr J Brown: I will make a couple of points on that. It is the intention of RBS and Ulster Bank to get to the root cause of the issue and how the incident was managed, which is why the RBS board commissioned jointly with the Ulster Bank board the independent investigation into the cause of the incident.

As I mentioned, we were looking to undertake a broader review, but that has been superseded by the FSA review. It is the intention of RBS and the Ulster Bank that, once we get through the investigation process, the key findings on the cause of the incident will be made known. We are happy to return to the Committee once that process has been completed.

Mr Mitchel McLaughlin: OK, but are you telling us that you intend to have a review, that it has been superseded by the FSA investigation and that they are not parallel processes?

Mr J Brown: RBS commissioned an independent review specifically to look at the root cause of the incident. That review has been completed but is now part of the investigation process in the FSA's review. RBS also intended to undertake a broader review post the initial review, but that has been superseded, because the FSA is looking at the broader issues as part of its investigation.

Mr Mitchel McLaughlin: Are you in a position to tell us whether there is a specific Ulster Bank element to both reviews, given that there were back-of-the-queue, longer-term impacts?

Mr J Brown: Yes, there is.

Mr Mitchel McLaughlin: So, is there a specific Ulster Bank element in both the FSA and RBS reviews?

Mr J Brown: That is correct.

Mr Mitchel McLaughlin: Thank you. For perfectly legitimate reasons, it may be difficult to elicit a direct response, but I think that this joint Committee should consider writing to ask for the terms of reference and the time frames of those reviews. We are not looking for the detail of the conclusions before they are submitted in the proper fashion. If the RBS element of the work has been superseded by the FSA's review — I assume that that is the evidence and the conclusions that we are talking about — I do not see why that would prevent the release of the terms of reference.

You indicated that you will look at compensation. Again, I found your answer on that imprecise, if you do not mind me saying so. You gave the example of people who, in extremity, had taken out short-term loans from facilities elsewhere, sometimes at very high interest rates, and you agreed that you would look at any claims that they make, which is to be welcomed.

However, in the intervening period — we are talking about a significant amount of time — can you confirm that you have taken that approach and that you have awarded compensation to people who have found themselves in that situation? I am not talking about all the claims, but you will now have had instances of all the many different types of circumstances that arose, so you will have accumulated some experience. Can you confirm that you have paid compensation to people who, for example, took out payday loans, which, in normal circumstances, is an extremely ill-advised thing to do, in my opinion?

Mr J Brown: I cannot confirm that — I do not know whether Stephen Cruise can — but I can say that, broadly, we have had 10,000 independent claims for redress, over and above the proactive measures that we have taken. They cover a very broad range of circumstances, and they come from individuals through to businesses. Ninety per cent of them have already been closed out — 85% of those were closed out at the first point of contact — and 1,000 are still going through the normal, business-as-usual process for redress. Stephen might have some specific information on that.

Mr Cruise: I cannot give a specific example on payday loans, but I will explain how the process works. Anyone who found themselves in such circumstances as a direct result of the problem that was created by the computer glitch will bring the information to us, and we will go through it with them individually. I suppose that the reason why I am being cautious in my answer is that, in my short experience of this, I have found that some people will take statements that are made in the media or through other public bodies and use them for a different angle. That is why I am being careful in my answer.

However, I make it absolutely clear that I want anybody who was out of pocket or who found themselves having problems as a result of what happened to come and talk to us. If someone had to take out a payday loan because they could not avail themselves of the different processes that we put in place or of the traditional facilities — all the ATMs worked throughout the period in question, and cash and credit cards were available — or if they did not know about them, they should sit down with us and we will make compensation available. I am reticent to give a specific example of what we have done, but it is absolutely the case that we want to meet the needs of any customer who was out of pocket during that period.

Mr Mitchel McLaughlin: I am not asking you for a specific example, and I am conscious of the judgement that you have to make as a business. However, I would have thought that it would not be impossible to define a set of criteria that would describe the relevant circumstances and would allow the decision-making process to proceed. If that does not exist, I would be very surprised. If it does exist, I would be more surprised to discover that you had not already resolved some of those cases.

Mr Cruise: It does exist, but, for obvious reasons, it is not public. When it comes to how we resolve these complaints throughout the process, we are subject to an independent adjudication. So, there is a process in place, and it is followed, in branches, on the telephone and remotely through the online facility so that we have a consistency of approach to dealing with these complaints. So, yes, that is in place.

Mr Mitchel McLaughlin: You have identified the bank's vulnerability to people who might try to take advantage of or to manipulate the situation, and I do not intend to make that any more difficult than it is already.

However, given the recent very negative public relations experience, you may be in a position to say that you had developed rigorous and objective criteria, that you had resolved a number of claims and that you had turned down a number of claims because your process was rigorous and prevented people from being able to take advantage of you or defraud the system. If that were the case, that

would enable the community to understand that you recognise that you have created a set of unique circumstances through your systems failure.

Whenever we are talking about people who take out emergency loans, we are often describing people who live on the economic margins anyway. We saw that the computer glitch affected ATMs. We heard evidence about people knowingly taking out more money than they knew they had in their accounts. They should not have done that, but we are talking about people who are not businesspeople, who do not have advice available to them and who do not have experience of such a situation. They did a very unwise thing, but they now find themselves in a set of circumstances that they did not create and are faced with a lifetime of significant debt and struggling with economic issues. I hesitate to use the word “greedy”, but they certainly took advantage of the fact that the machine was prepared to go on paying out money. How do we deal with that situation? How does RBS measure its responsibility in that conundrum?

Mr J Brown: The key is that, during the incident, we tried to very quickly put in place contingency measures, because we knew that a lot of customers needed to get access to cash and could not. They may have been people who normally had very little in their account and were reliant on salary or welfare payments coming in. We very quickly responded to that, and, within probably 24 hours, we had a process in place whereby customers who were receiving salary or benefit payments were able to get cash even though the payments had not come through.

That said, there were a number of customers who might have had issues and who might not have been aware that they could come into the branch so might have got funds from elsewhere. The guiding principle of our redress is that we will pay customers’ out-of-pocket expenses that they incurred as a result of the incident and that we will pay redress over and above that. Whether the customer had to go and take a short-term loan or had a problem overseas with getting access to cash — although we had systems in place to deal with that as well — we will encourage them to come to the bank.

Some 10,000 customers in Northern Ireland have done that over and above the proactive redress that we have done. We have processed positively 9,000 of those, and we are going through the 1,000 that remain in the system. We go through a validation process, but the number of claims that we have turned down is relatively small. We have turned them down for reasons of potential fraud and so on, which you alluded to. So, we are trying to be as proactive as possible.

Mr Mitchel McLaughlin: Are you including those people who, perhaps weeks later, are afraid to call into the bank or are waiting on a knock on the door because they did something that they should not have done? If unauthorised overdrafts are showing up on accounts in that period and there is a clue that someone might have made a mistake at that time —

Mr Cruise: We have been in contact with all those customers. We are working our way through that. You could put people in two categories. One is made up of those who are not as sophisticated as some businesspeople and find themselves in a certain situation inadvertently —

Mr Mitchel McLaughlin: Good luck with them.

Mr J Brown: In the scheme of things, only a relatively small number of customers took advantage of the situation. Even with the ATM issue that you alluded to, and about which I do not intend to go into detail, it was always Ulster Bank’s intention to ensure that we maintained the level of service and access to cash and, indeed, to the bank, for the greater good.

The Co-Chairperson (Mr McGlone): At this point, I suggest that we take a break and then get back in here as soon as possible to continue with the second part of the session, which will be chaired by Mr McKay.

The Co-Chairperson (Mr McKay): I remind members and members of the public in the Public Gallery to turn off all electronic devices, as they interfere with the recording of the proceedings.

I will go back to the list of members to speak. Sandra, you are next to ask a question.

Mrs Overend: Thank you very much. We appreciate your coming to the Committee, and I thank you for your detailed responses to all the questions so far.

In your investigation into the root of the problem, did you investigate the overall capability of your computerised systems, that is your hardware and software, and are you satisfied that they are fit for purpose? Have you had any technical glitches since the previous one?

Mr J Brown: The initial problem that we had relating to the software upgrade on our batch schedule of the processing of transactions has been fixed. It is working fine, and we have had no issues with processing transactions since the event.

In looking at how we can better manage those sorts of issues in future, we have implemented a number of measures already so that, in the unlikely event of something similar happening again, we have processes and procedures in place that should prevent that happening.

Perhaps William Higgins would like to add something to that.

Mr Higgins: No. As you heard, we fully understand the root cause of the problem, and we have fixed it. We have de-risked it, and we are looking at part of the processes in order to de-risk it further. We are also looking at possibly separating the hardware and the software. Obviously, that is a longer piece of work. It is subject to the FSA investigation that I referred to. I referred to enforcement actions that the FSA might impose on the group, but that is within the scope of the work that we are undertaking.

Mr J Brown: The specific review that I touched on will be completed early in the new year. That involves completely separating the individual batch processing for each of the brands: RBS, NatWest and Ulster. If a problem arises right now, we can separate the batch processing, but we are looking to separate the brands and run the batch processing individually. That review will not start until the new year, so it is still a work in progress.

Mrs Overend: I see what you are saying. Part of your answer was that you are looking at processes that will help if the situation arises again. However, surely you need to have an ongoing review, month on month, about the computer systems' capabilities and how up to date they are.

Mr Higgins: I can absolutely tell you that that is happening and that it will continue to happen.

Mr A Maginness: I will start by making a general remark. The difficulties and the trauma that people experienced as a result of all this were such that it is impossible for you to compensate them. It is very difficult to calculate the stress that individuals encountered. You can give them £20, £100 or £1,000, but, in a sense, you cannot compensate people. I really think that that is your difficulty in all this. The situation is unprecedented, but it is difficult for people to forget what they had to endure.

Over the past decade or two, banks have been taken over, various efficiency measures have been introduced and cutbacks have been made in staffing, including counter staff, back-office staff and IT staff. I suspect that that might have contributed to the problem. If that is the case, and if your investigations highlight that as an issue, are you going to remedy it? My suspicion, and that of others, is that the IT system was cut back in some way to the point where a pressure arose and the system failed. Are you free to comment on that?

Mr J Brown: First, we took a lot of time to consider how the redress process should work. We recognised the difficulties with compensating people over and above out-of-pocket expenses and similar issues.

So, we put in place an automatic top-up to the out-of-pocket expenses that people incurred, plus proactive fee waivers and additional interest on deposits, and so on. We did that to recognise some of the distress that people have endured, but it is a difficult issue to deal with, because it is hard to quantify. However, we have tried to take some steps towards recognising that distress.

Where the redundancies are concerned, it is the case that the banking sector as a whole has been shrinking. Ulster Bank has been shrinking, and RBS has also had to go through the same issues. I cannot tell the Committee right now whether any redundancies that might have been made in the IT area contributed to the problem. No doubt that will be looked at as part of the investigation. If that is found to be the case, we will have to look at it, but, so far, we do not know the details and will have to wait for the investigation to be concluded.

Mr A Maginness: You said that the technical problems have been remedied. The experience with the breakdown was that, because of the way that things were sequenced, NatWest was addressed first,

then RBS, and Ulster Bank was addressed last. In answer to a previous question, you said that the bankers automated clearing Services (BACS) systems are individualised for the three banks. Is that correct?

Mr J Brown: Just to clarify, the batch processing ran sequentially. In the unlikely event of such a software failure event happening again, if we were in the same situation, we could process each of the batches for the different brands individually.

Mr A Maginness: What about simultaneously?

Mr J Brown: Yes, simultaneously, in the sense that we would not have to go through a sequence. They could be run individually.

Aside from that, early next year, RBS will look at having permanent and independent separate batch processing runs for each of the brands. So, today, we have a process in place whereby, if there is a problem, we can run the batches independently, but we are looking to break them apart. That review will start early in the new year.

Mr A Maginness: I have one final question about your current lending policy. We had a distinguished businessman at our Committee last week — Tony O'Neill — and he was talking about the agrifood industry and his experience that the banks are not lending in a manner that is friendly to local businesses, which, here in Northern Ireland, tend to be family-run businesses as opposed to the bigger, commercially run farming businesses that they have in Britain. He did not single out Ulster Bank, but he said that the banks were imposing stricter conditions because the firms are smaller and family run. That is putting an obstacle in the way of firms' investing and developing their business. It is, in fact, inhibiting business development. Would you like to comment on that? Is that what is happening within Ulster Bank, or are you taking into consideration the specific and different profile of businesses here in Northern Ireland?

Mr J Brown: The business sector is a critical part of Ulster Bank's business. We believe that we are strong in that area. It is also one of our growth targets. As I mentioned, in the past few years, we have lent £850 million to support SMEs.

It is fair to say that banks, including Ulster Bank, have adjusted their risk appetite following the excesses pre-2008. There is no doubt about that. Having said that, I think that the numbers that I mentioned show that we are actively lending in the Northern Ireland economy.

Where food and agriculture are concerned, a critical part of our strategy going forward is to grow and increase the share in that area. In my view, the reality is that, over and above the public sector — the private sector — the food and agriculture sector is the backbone of the economy. Coming from New Zealand, I have a strong affinity with that sector, and I see it as an area for growth. We have made significant loans available in the agriculture sector. For example, we lent £100 million into that area last year, and we have already approved 400 loans this year as well. We see that as an important sector, and we are actively supporting it.

The Co-Chairperson (Mr McGlone): Just to expand on that, I would just like to clarify that point and tie it down and perhaps finish with a suggestion. At our Committee last week, which Mr Dunne also attended, Mr O'Neill from the Agri-Food Strategy Board (AFSB) outlined some of the difficulties that are currently facing poultry houses in particular. A comparison was drawn between the slowness of the process here and what happens in England, where things are much more speedily and efficiently done. There are a number of attendant issues, but there is a specific issue with finance; access to finance is the issue. Could the bank actively engage with the Agri-Food Strategy Board, given that this is clearly a potentially very significant area of growth not only in Northern Ireland but in the whole island of Ireland?

Mr J Brown: We are more than happy to engage, and, if there are specific issues in the poultry sector — which I am not aware of those, by the way — I would be more than happy to look at those as well. From an Ulster Bank perspective, we have an opportunity to look at how we process and approve loans so that we can try to streamline the process and make it a lot quicker than it is today. We will be making inroads into that in the next 12 months with a view to supporting the sector and making access to credit easier. We are more than happy to engage with any bodies on that specific issue.

The Co-Chairperson (Mr McKay): I think that the Chair of the Agriculture and Rural Development Committee also has a question on this.

Mr Frew: I am Chair of that Committee, but I actually want to follow up Alban Maginness's question, because it is a point that I would hate to be lost. On the issue of the separation of batch processing, before RBS took over we had IT specialist jobs here, but Ulster Bank lost those due to the merger with Edinburgh. If we individualised the batch processing again, where would that work be based? Would it be based in a different cabinet in Edinburgh, or would we get IT specialists back in Northern Ireland working on it?

Mr J Brown: I cannot answer the specifics, because the review has still to be completed, so I do not want to draw any conclusions on that yet. However, I think that being part of RBS Group gives a number of significant advantages to Ulster Bank, including help with access to markets to export for agrifood and the sorts of things that have just been mentioned. The fact that we have £13 billion of capital coming in from RBS is also a significant advantage for us. However, on the specific question about where the jobs will end up if the batch runs are separated, it is too early for me to say until such time as the review is completed.

Mrs Cochrane: Hopefully, I have a few questions that have not already been asked, given the number of people who have been in ahead of me — I am referring not just to Paul Frew.

First, the £18 million that you said has been paid out makes for quite a good headline, but can I just confirm whether that includes the refunds to customers for charges imposed by Ulster Bank that should not have been made in the first place?

Mr J Brown: No, it does not include those.

Mrs Cochrane: Secondly, further to the points that Mitchel McLaughlin and Robin Newton made, I welcome the proactive approach that has been taken and the fact that three customers out of eight have had some form of redress.

However, I would be very concerned that, in the 500,000 people who have not received redress, there may be a number of very vulnerable customers. The reason I say that is that I was told that Ulster Bank staff had been advised that the additional compensation over the £20 would be given only to people who put their complaints in writing. I have assisted some of my constituents to do that, but I am concerned that many vulnerable people would not have been in a position to do it.

I welcome what you said about your looking at individual circumstances. However, could more be done proactively for those vulnerable customers? For example, can you assess your customer base to ensure that they have been made fully aware of potential assistance? Disabled people who have been in receipt of benefits, for instance, might not have been able to visit their branches and therefore might have been left out of that initial assessment.

Mr J Brown: Where the numbers of customers whom we have proactively redressed are concerned, we targeted customers whom we believed had been impacted by the incident. Not everybody was impacted. To give you some examples, credit card customers could still access their credit card; mortgage customers did not really have to come in to do anything with normal payments, as those were all handled automatically; and a customer with a one-year time deposit did not generally need to come in to make any payments or do anything during the incident either. If they did, however, we are more than happy to compensate them as part of the process that we have to deal with that. Of the 300,000 customers whom we have redressed so far, 290,000 have been proactive, and we believe that they were the ones who were impacted the most. As I mentioned, there is a range of options for compensation, including the £20, interest, fee waivers and so on.

On the issue of vulnerable people, as I said, the customers who were most greatly impacted on and inconvenienced were those who had their main transaction account with us, who had very little money in their account and could not get access through their ATM card or a point-of-sale unit and had to come into the branch to make a withdrawal. We had to put in place procedures to enable that to happen. We did that during the incident. As part of that, we said that those customers who had to come to the branch more often than normal would automatically be given £20. If there are vulnerable customers over and above that who believe that they could be out of pocket for more than that sum, we are happy to look at that.

We have had discussions with a wide range of social services organisations, and we are more than happy to direct customers to them. They will also help those customers with the claims process.

I have some details of the communication efforts that we have made. We have run 47 press advertisements in Northern Ireland. We have sent 194,000 e-mails to customers who allow us to send them e-mails. We have sent out 392,000 letters to customers. We have also had 547,000 visits to the website to do with the redress. Over and above that, Stephen Cruise and I have done more than 40 media interviews in relation to the incident. We have tried to proactively reached out to as many customers as possible to let them know about the redress programme.

Mr Agnew: Mr Brown, at our previous meeting, you said:

“Our intention is that customers, whether of the Ulster Bank or other banks, should not be out of pocket as a result of this incident.”

Later on, I asked specifically about customers of other banks:

“Does that include a business that cannot process its orders because it cannot pay for its supplies but is not an Ulster Bank customer? Does it include loss of business?”

To some extent, the responses were that it becomes very complex when we start going into other banks’ customers and the indirect effects of the incident.

I have a number of questions on that. Are you confident that, at this stage, no Ulster Bank customers remain out of pocket? Where are you with ensuring that other banks’ customers who were affected are not out of pocket? What criteria are being applied to deal with the extended, indirect impacts on businesses?

Mr J Brown: On the question of whether everybody has been redressed for out-of-pocket expenses, those who have made a claim to us so far have been redressed. We have proactively redressed 300,000 customers. Over and above that, there are another 10,000 claims for out-of-pocket expenses. We have already processed 9,000 of those, and 1,000 are in the process right now. For the claims that have come in, we have put in place a simple process that we have tried to make as proactive as possible, and we have processed the vast majority of them.

We do not have a deadline for taking claims. So, if someone comes to us in 12 months’ time, we will still process their claim. I think that it is fair to say that the majority of claims are in, but I expect claims to continue to come in for the next few months.

On the question of dealing with the other banks, the principles are the same. If customers had a problem as a result of the incident and they are out of pocket, they should go and see their bank. We have arrangements with the other banks whereby we will reimburse them. Again, the aim is to make the first point of contact the party that will redress the issue rather than bringing the other banks’ customers into our processes. That seems to be working so far.

Mr Agnew: Do you have a sense of how many customers of other banks have been compensated?

Mr J Brown: I do not have the numbers with me, but we can come back to you with that information.

Mr Agnew: I would appreciate that.

Mr J Brown: You also asked about the impact on the broader business community. The way that the redress programme operates means that we have tried to put in place a relatively simple process for the vast majority of our customers. However, there is a process for us to look separately at businesses that have larger claims or a more complicated process. They are included in the statistics, but we have a specific process in place for them.

Mr Agnew: My next question touches to some extent on Judith’s point about those who are more capable of asking for redress. At our previous meeting, you spoke about being proactive, and you certainly addressed that today, but I still get a sense that those who ask once get £20 and those who ask twice get £100. I have received some anecdotal evidence of that. I have concerns about that, because it will be those who are more capable, and, in some cases, those who have more money, who will get more redress. I suppose that I would just like an assurance that that is not the case and that, if people come to you, they get the correct compensation.

In that regard, we all know about the £20, and you said that, on average, the redress is £60. What is the largest compensation claim? I think that there is some agreement around the table that £20 would

not cover most people's inconvenience and that, although £60 might do that, it is still not a significant sum. It would be interesting to know how the large compensation claims are going where people have been majorly impacted upon. That would help us to judge whether people are being sufficiently compensated.

Mr J Brown: We can come back to you on that. I do not have the specific details with me, but in the case of a business, the figure could be in the thousands of pounds. There have been cases like that. Without disclosing any issues of client confidentiality, I am more than happy to give you a flavour of that.

We are extremely conscious of the need to treat all our customers fairly in the process. We have what we call a first, second and third line of defence in looking at how claims are processed and at how payouts are made so that we ensure consistency. We have tried to prevent the scenario where, for example, one person gets £20 and someone else gets £200. Under the process, all the redress payments are spot-checked daily and there is also a third-line independent review. We are very conscious that we want to treat our customers fairly.

Mr Girvan: Looking at this from the customer's point of view, I want to ask how you came up with the figure of £20, which seems a little bit convenient. Why was it not £19 or £23 or whatever? Was there a calculation about what you deemed appropriate? Another point is that only those customers who actually went into a branch to carry out a transaction have received the £20, whereas many customers thought, "What's the point of going into the branch?" because they took into account the fact that the problem might be sorted out the next day or the following week. The message that they were receiving from the media was that the resolution to the problem was imminent, so all accounts would be back up and running by Monday morning. A lot of people just said, "We will hold back and wait."

I was contacted by a number of small traders, so I know that some businesses felt that they could not avail themselves of opportunities to do a deal that would have allowed them to turn some money around and to make some profit in what was a very difficult market anyway. Given that businesses had no confidence in what they were being told, they did not feel able to go ahead with those opportunities. One man who lodged £140,000 into his bank account on 17 July found that it did not appear on his account until mid-August. That sort of thing created problems. When he went into the branch to make sure that the money was in his account, he had to provide photocopies of every cheque or lodgement that he had put in. Those are just some of the difficulties that people had.

Another point is that we should also think of the 2,000 staff, who did a marvellous job in confronting the public on many occasions. I appreciate that I am asking a number of questions here, but the message that I was receiving was that, as soon as the crisis was sorted out, people would move their account. We have to say that that is not necessarily what we want to see; we want to see people retaining their account with the bank. I appreciate that it may seem easy just to jump in and change banks, but historically families here will have, in many instances, been members of the bank for generation after generation. If people have moved accounts, could there be job losses as a result of this crisis and because of the length of time that it took to get sorted out, not to mention that we were at the bottom of the pile for resolving the issues? As others alluded to, every other major bank in RBS, including NatWest, got its problems all sorted out first, and ours were the last to be looked at. As far as RBS is concerned, are we second-class citizens? I ask that because anything to do with Ulster seems to take a back seat.

I appreciate that I asked about a number of issues.

Mr J Brown: I will try to touch on all those points as quickly as I can in answering the questions. First, let me assure you that our Ulster Bank customers are not second-class citizens; none of our customers is. As I mentioned, we really do understand the inconvenience that the issue caused us, and it is my job to ensure that our service levels get back to normal as quickly as possible so that our customers can expect from us the level of service that they had in the 176 years prior to the incident. We are working on that.

On the question of how the £20 was calculated, as I mentioned, the key for us was to recognise the inconvenience that many of our customers experienced. The £20 is really for compensating those who had to come into the branch for at least one more visit than they would normally have made, so the amount is to do with recognising that specific issue. Over and above that, a range of other payments have been made to customers, including fee waivers, interest payments and compensation for out-of-pocket expenses. On the number of customers who were paid that amount specifically, approximately 150,000 received the £20. As I mentioned, those customers could have received

redress over and above that as well. Another 150,000 customers also received other types of compensation.

Where moving accounts is concerned, both during and post the incident we have seen no increase in attrition rates through account closures. Year on year, the attrition rate is currently less than it was at this time last year. Deposit balances are another measure to consider, because people who do not want to close their account may take their money out. However, there has been no reduction in the deposit balances with Ulster Bank.

I really thank our customers for their support for Ulster Bank both during the incident and beyond. I think that a lot of that support has come from the relationships that our customers have had with the bank. Many have been long-standing customers over many years, and they have very good relationships with the staff. I also think that the efforts of the staff in running the bank, which went above and beyond the normal call of duty, was phenomenal. I think that customers understand that, and I thank them for that as well. Having said that, we still have a lot of work to do to make sure that we rebuild the trust and confidence in Ulster Bank, and that is what I am focused on right now. That will take time, but that is what we are going to do.

Mr Girvan: I appreciate that. Everyone wants to see that Ulster Bank has a presence on their main street. However, we are hearing rumours of branch closures. Has the banking group made a decision on that?

Mr J Brown: No decisions have been made on branch closures. As I may have mentioned to the Committee at the previous meeting, the branch network is always under review. That is primarily because of changing patterns in customer behaviour and in how customers want to interact with us. Branch transaction traffic is declining year on year, and that is primarily because many more customers are using electronic banking, mobile banking and other channels. So, no decisions on the issue have been made on that yet, but we continue to review the network.

Mr Girvan: Has any compensation been given to businesses that can demonstrate that they missed an opportunity?

Mr J Brown: I am sorry; I missed that question. I cannot answer that specifically. We would need to see evidence of customers incurring losses specifically as a result of the IT incident, and, where there was evidence, we would look at the case. I do not want get into the specific incident that you mentioned, but I am happy to take it offline if there is an issue. We look at such matters on a case-by-case basis. The reality is that it is very difficult to make an assessment of opportunity costs, but we would have a look at it.

Mr Cruise: On the point about continued business, I just want to say that I have been with the bank for 33 years and have always served in Northern Ireland. We have actually put out £1.5 billion of actual money into the housing market over the past five years. That is not applications, but committed funds. We will shortly be going out again with a fresh campaign, as happened prior to the summer and post the summer, but I believe that that is the biggest commitment that the public of Northern Ireland can make to Ulster Bank staff. Yes, this is a bit of a pitch, but I absolutely believe that we need that so that Ulster Bank can move forward, and I think that we have shown the commitment.

Where staff training was concerned, I can only say that they were willing to adjust with training for the redress process to ensure consistency and to ensure that customers were treated fairly. That happened, again willingly. As Jim said, we have monitored claims through a first, second and third line of defence. So, there is an absolute commitment to make sure that this franchise continues strongly, and I think that, as we said in answer to some of the questions, we want to move forward. We have committed funds, and we will continue to commit funds going forward.

The Co-Chairperson (Mr McKay): I just want to remind members that, to make decisions following this evidence session, we need five members of each Committee to be present. There are only four members of the Finance and Personnel Committee present, but we are trying to rectify that. So, you are not allowed to go anywhere. Also, I believe that Mr Higgins has a flight shortly, so members should indicate if they have any pressing questions for him.

Phil Flanagan is up next. Any members who have not yet asked a question should avail themselves of the opportunity before we come to the end of the session.

Mr Flanagan: Gentlemen, you are all very welcome. We are a bit closer to you today than we were the previous day. Hopefully, we will get better answers and more clarity today.

When you last appeared before the Committee on 5 July, we had a very lengthy discussion, and we held you back, so let me just thank you at this stage for your latitude in staying a wee bit longer than you probably should have done. I know that you got a bit of criticism in the media for sprinting out the door — they seemed to think that you were trying to get away from them — but I and other Committee members acknowledge that you were running down to Leinster House to deal with another Committee there, so I will back you on that one. That is me being nice. *[Laughter.]* I deal with the Minister in a similar manner, but she does not fall for it any more.

On 5 July, we were told that the redress scheme would be up and running in a few days. Mr McKay dealt with that. The rationale that has been put forward for the delay is the need for engagement and consultation with consumer bodies, trade bodies and the appropriate regulatory bodies. First, can you tell me which consumer, trade and regulatory bodies you were engaging with that caused such a lengthy delay? Secondly, which of those bodies advised you that a £20 compensation payment would be adequate for the hardship that was caused to so many customers?

Mr J Brown: Where the consultation process is concerned, throughout those few weeks there was an ongoing dialogue with those institutions rather than just a one-off conversation. It is also fair to say that no one institution caused the delay. So, from our perspective, we consulted very widely with quite a number of bodies, as you said, and we wanted to make sure that we took aspects of all that feedback into account when we were coming up with a specific programme. I cannot say whether the £20 compensation came from us or from one of those consumer bodies, but I presume that it came from us. I just do not know the answer to that.

Mr Flanagan: So, you are not able to tell me what Ulster Bank was minded to do at the start of July or what reaction those bodies gave to Ulster Bank's proposals.

Mr J Brown: I cannot recollect off the top of my head, but we had some ideas on hand about how we wanted to do redress. However, that changed a lot internally in early July, and it certainly changed again once we took all the feedback into account.

Mr Flanagan: Two terms are being used here: a redress scheme and a compensation scheme. The compensation scheme applies to customers who went into a branch more often during that four-week period than during the previous four-week period, and they have been given a £20 payment. There is also an additional 20% for out-of-pocket expenses up to a maximum of £100. Are those really the only compensation measures that have been applied, given that all the other payments are really refunds for charges that customers incurred when they should not have been charged?

Mr J Brown: No. Over and above those, we are doing two other things. First, we have waived various account-type fees for individual accounts and business accounts for a three-month period. Over and above that again, we have paid an extra 0.25% on deposit accounts for three months as well. So, all that combined is part of the £18 million.

Mr Flanagan: So, does the £18 million include refunds of, for example, fees and overdraft charges, and so forth?

Mr J Brown: It does not include fees and overdraft charges for customers who should not have paid them.

Mr Flanagan: Do you have a figure for the total amount?

Mr J Brown: Do you mean the total amount that people were charged for which they should not have been charged?

Mr Flanagan: You have a figure of £18 million, but if that does not include charges that should not have been made, the figure should be significantly greater.

Mr J Brown: That is right, but the point that we were trying to share is that the £18 million is redress that we have paid over and above fees and charges that have been refunded where customers should not have been charged in the first place.

By that mean that, during the incident, a customer may not have received a deposit into their account and may have been charged interest and a fee for being overdrawn. We have refunded those fees automatically, because they should not have been charged.

The £18 million is redress over and above that. We have said that, as part of the ongoing redress, if customers are normally charged monthly account maintenance fees, for example, we will waive those for three months and the customer will get the £20, the extra deposit interest and so on.

Mr Flanagan: So, is the £18 million only one of those four measures that you listed earlier?

Mr J Brown: Yes. It is for fee waivers for the three-month period. It is paying for the extra interest, out-of-pocket expenses and compensation over and above that, plus the £20.

Mr Flanagan: Is that only in the North?

Mr J Brown: Yes; it is just in the North.

Mr Flanagan: Is the £18 million is for 300,000 customers? Those are 300,000 of your own customers.

Mr J Brown: That is correct.

Mr Flanagan: Do you have a figure for how much has been claimed by or paid to other banks' customers through those banks?

Mr J Brown: I do not have that information with me, but I am happy to come back on that.

Mr Flanagan: Is that process still ongoing?

Mr J Brown: Yes, it is.

Mr Flanagan: I would appreciate it if, when that process is finished, you could let us know the final figure.

There has been an awful lot of criticism of Ulster Bank by the public and in the media and here about how the crisis first, came about, and, secondly, how it was managed and how communication came out. When you came in here on 5 July, it was very much presented as a technical issue, and you said that you were waiting for your IT experts to resolve it. That was the line at that stage.

Throughout the following eight weeks, your communication did not really improve. Many people would argue that the management of the crisis did not get any better and that there were still huge gaps in the communication that was coming out from the bank until the day that this was released.

Have there been any soundings from the board of the Ulster Bank about whether you and your senior management team still enjoy their confidence?

Mr J Brown: On the question of the ongoing communications throughout the incident, the communications were, as I mentioned, difficult to manage. That is because we had to come out a couple of times with extended deadlines as we wanted to keep our customers informed as best we could about where we were in correcting the issues that we were experiencing. I freely acknowledge that that was a difficult message to manage, but it was always in the interests of keeping our customers informed.

Where the board is concerned, I and the management team have the support of the board and of RBS.

Mr Flanagan: I presume that your front line staff are on some sort of a target-based bonus structure and that they are given targets to achieve on matters such as credit cards, mortgages, savings and things like that. Have any changes been made to their bonus structure to reflect the completely different type of customer that they would have been facing so that your staff will not be out of pocket over this?

Mr J Brown: Our intention is that our staff should not be out of pocket because of this either, but I do not know the specifics of the incentive scheme.

Perhaps Stephen can comment on that.

Mr Cruise: Yes, absolutely. We took into consideration that the vast majority of their time and that of additional staff during the summer period was spent on looking after customers, so that was adjusted for.

Mr Flanagan: So, staff who may have got a bonus will still get that bonus?

Mr Cruise: Yes; the scheme has been adjusted to reflect that.

Mr J Brown: It is more to do with the incentive scheme per se than bonuses; the two are treated differently. Whether staff will get a bonus will be subject to the normal year-end process that we would go through, and we will make the decisions at that time. That will take into account a number of factors, including our performance throughout the incident. However, no decision has been made on that yet.

Ms Maeve McLaughlin: Thank you for the information. I am not sure that I would use the word “clarity” for some of it, and I expect that the Committee will seek further information on some of the issues that you raised.

I am particularly interested in the investigation processes. That has been raised, but I want to labour the point. We are being told that the RBS process into the root cause has been completed and that effectively, in your words, “we know what happened”. That investigation has now subsumed within that of the FSA investigation, but as has been referenced — and this is an important point — we do not know either as a Committee or as part of the wider society what the terms of reference are. We are told that the remit covers the broader issues, but we do not know what those are. The presentation that you have given related to building confidence and trust. Therefore, it is imperative that we know what the terms of reference are, how time bound the investigation is and how any recommendations will be enforced and implemented. That is my first observation.

I must say that I am becoming more and more confused about the redress and compensation programme. I ask that the witnesses, as company chairs, write to the Committees to clarify the position on those. You referred to a figure of £18 million and about the 150,000 people who have received the £20 payments. I will be polite in referring to those £20 payments. You then referred to a further 150,000 people who got additional redress. However, I, in common with others on the Committee, find it peculiar that you cannot give us a view on — a lot of members alluded to this — how the filtering process took place, or even, as Mr Agnew mentioned, the level of compensation.

I am clear that I am not asking about individual processes, but we cannot even get a sense of how those filters were implemented. How do you measure issues such as the loss of payment and the associated emotional impact or trauma? We have not had clarity, but I think that that would be useful to seek that out. We are told of the 150,000 people that sought the additional redress and that there were 10,000 individual complaints — I am not sure whether that is the right word, but I am sure that they were complaints. That seems to be a low number given that, overall, more than 300,000 people were impacted on. We are also told that 9,000 complaints are being progressed and that 1,000 are still live. I will make the point again: the 10,000 figure seems incredibly low in relation to the overall figure of 300,000.

My final question relates to the customers. When we look at the figures, we see something like 236 branches across Ireland, with 1.9 million clients. You talked about the contraction in banks, but we do not know how many customers Ulster Bank has lost. That is an important statistic that we should have so that we can both challenge you and assist you to build up that confidence and trust again.

Mr J Brown: On the first of the three questions, the investigation process is under way. I am not at liberty to make the FSA’s terms of reference available; that is an issue that you need to look at separately. We are committed to RBS making known the key findings about the root cause of the incident once its investigation process is completed.

Secondly, our compensation includes a number of components. So, there is a redress payment for out-of-pocket expenses over and above that compensation. A lot of the measures that we have taken, including fee waivers, and so forth, are proactive and are aimed at trying to compensate for the inconvenience that was caused to some of our customers. Having said that, if some customers feel

that the compensation that we have offered is not enough, we are more than happy to look at individual claims over and above that.

Thirdly, on customer numbers, we have tried to be proactive and do as much as we could up front with our redress programme. The fact is that we have proactively paid redress payments to 300,000 customers, and, by doing that, we have tried to make it easier for them. That has meant that we have had a smaller number of customers who have claimed out-of-pocket expenses over and above the compensation.

However, from my perspective, 10,000 is still a big number. Overall, it is 10,000 out of 300,000. I wish that the incident had not happened in the first place, to be quite frank. We have tried to resolve issues at point of sale 85% for the 10,000 that have come to us so that they do not have to go through a long and complicated process. The redress process is still going on, and I expect that we will process more than 10,000 claims. I am sure of that, because the process is ongoing as we speak.

On the number of customers we have lost, when they come out, the annual accounts will show the balances and deposits that have gone, although we have not lost deposits from the bank. If you look at the deposits for retail customers, SMEs and the number of accounts that have been lost through attrition, you will see that the number is no higher. In fact, it is lower in September this year than it was in September last year, so we have not seen any significant customer attrition.

Mr Frew: I apologise for having to nip out from time to time during the questions and answers.

I want to go back to the IT specialists that we have lost from Northern Ireland and that Ulster Bank has lost. I take on board your earlier answer to me, but is there any way that your investigation can look into that? What would have happened if you still had the old structure? Is that part of the investigation process?

Mr J Brown: No, the process of investigation is to look at what caused the incident and how it was managed during the following weeks. It also includes a specific focus on Ulster Bank. So, the investigation is quite far-reaching, and I cannot pre-empt what conclusions it might come to about how IT should and should not have been managed.

Mr Frew: It strikes me that Ulster Bank should have had a system that was completely within its control. When we were going through this nightmare, I can imagine that there were times when personnel, managers and specialists, and even the board were bound to have been saying that they wished that things were the way they were when the bank had its own IT specialists who could have solved the problem within hours or days, instead of having to rely on someone else. Will Ulster Bank be able to say to RBS, "This is what we believe to be the best practice model, and this is how we would like the situation to be resolved."?

Mr J Brown: As I mentioned, the review of how the batch scheduling should run will take place early in the new year, and Ulster Bank will be part of that process.

Mr Frew: Will Ulster Bank be able to make recommendations to RBS? Will Ulster Bank be in a strong enough position to do that?

Mr J Brown: We will definitely have a contribution and recommendations to make. It is too early to say what those recommendations will be, because the review has not started, but we will definitely be involved in the process.

Mr Frew: Chair, it would be worthwhile if the two Committees were kept informed of that process, especially because it involves both Northern Ireland and Ulster Bank directly.

This question, which is about compensation and how you actually put a measurement on it, might have been asked in different ways and under different guises. I can imagine how difficult such measurement is. I would like to know whether you have any information to hand about some of the scenarios that I will discuss. Take, for instance, the construction industry. Construction companies and specialist trade companies are going out of business not because of lack of work but because of cash flow. For example, they cannot pay their supply line and subcontractors, who, in turn, cannot pay their supply line and subcontractors specialist. That means that, somewhere along that supply line, businesses will go to the wall.

You could pinpoint that directly on the failure of Ulster Bank. However, you might be so far away from that company going to the wall that you might not necessarily know the impact that it had, and if you do not know about that, you will not be able to address it. Has Ulster Bank done any studies not on the direct impact on your customers and your customers' direct clients but on the knock-on effect the whole way through the system? Can we say that a certain number of companies have gone out of business because of the incident?

Mr J Brown: We have put in place a process that looks at redressing other banks' customers, as well as our own. Other banks have submitted claims to make redress. During the incident, we, as did other banks, put in place arrangements to make sure that we and other banks could mitigate the flow-on effect that you mention to various customers, including our own and those of other banks. Again, if customers of ours or of other banks who believe that they have suffered as a consequence of the IT incident at Ulster Bank, they should either come to us, if they are a customer of ours, or go to their own bank to make a claim.

Mr Frew: You said that the customer attrition rates have not increased as a result of the incident. I am surprised to hear that, because I have been hearing that people have moved banks and that Ulster Bank has lost customers. Maybe what I have been hearing is not right. Is RBS as a whole monitoring this situation very carefully? Has it done that in the NatWest territory and in Scotland? Are there any differences between customer attrition rates here and in those other areas?

Mr J Brown: I have not specifically looked at that. I am sure that the RBS Group as a whole is monitoring what is happening with the RBS brand and the NatWest brand. I am not aware of any significant increase in attrition for those brands. However, it is fair to acknowledge that the IT incident impacted Ulster Bank customers for longer than it did other customers. I am the first to acknowledge that. That is why we have come up with our redress programme. It is different to that in other areas, and it tries to recognise the inconvenience that was caused to customers and reimburses out-of-pocket expenses and so on. We would do that for customers in Northern Ireland and those in England, Scotland and Wales. The programme is tailored specifically to recognise the inconvenience that was caused to our customers.

Mr Frew: You can recognise that there is an issue about the length of time that your customers were out of pocket and their affairs in disarray, but does RBS acknowledge that?

Mr J Brown: It absolutely does. We had strong support from the RBS Group. I think that I mentioned to Committee the previous time that I was here that we had more than 100 employees out here supporting us through the programme. Clearly, at the end of the day, RBS will be paying the compensation that we are paying. It is acutely aware of our progress and is monitoring how we manage the redress.

Mr Cruise: The previous time that I was here I said that I believe that we have to build the trust of the customers one by one. What you said with about the number that we have lost is the result of the loyalty of our customers. We have lost less than we lost in the same period last year, which we know, because we monitor the situation on a daily basis. We thank our customers for that loyalty, which exists largely because of what the staff did. However, we are absolutely not presumptuous about that loyalty, and we still want to build customer loyalty one by one. That is a challenge for our staff. We have had staff in for training, and we have been working with them to try to make sure that the Ulster Bank franchise stays strong in Northern Ireland.

To that end, we are surprised at the small number who complained or whom we lost. I am absolutely not being arrogant in saying that we appreciate the loyalty that customers have shown. We will match that loyalty by doubling our efforts to get out of this in the days ahead. Our campaign will be based on our business-as-usual policy. Jim Brown will be challenging and supporting me to make sure that that is the case, but all that will happen as we move forward.

Mr Frew: This might have happened, but where access to finance and credit is concerned, and, given that we as customers — not me personally but customers in Northern Ireland — would have suffered more than those in Scotland and England, might Ulster Bank be able to demonstrate loyalty by stepping out of some of RBS's models for accessing credit?

Mr J Brown: The bottom line is that we are open for business and lending, and we will look at any good credit applications that come to us. As I mentioned, we have already made significant loans since the crisis, including the £1.5 billion in mortgages, the £850 million to SMEs, the £100 million to the agriculture sector and so on, plus supporting various schemes such as funding for lending or the

enterprise guarantee scheme. We are actively participating in lending, but we have to do so prudently. After all, we do not want to end up back where we were in 2007.

Mr Frew: So, are you in control of your own destiny in that matter?

Mr J Brown: Yes.

Mr Frew: Do you have to report to RBS on any plans or access to finance schemes that you might want to put in place?

Mr J Brown: No. Clearly the RBS Group agrees our strategy, but decisions to lend or to be involved with, say, the enterprise guarantee scheme are made here in Northern Ireland.

The Co-Chairperson (Mr McKay): Patsy, do you have any concluding questions?

The Co-Chairperson (Mr McGlone): Thank you very much, gentlemen. In raising one final issue, I want to move into what might well be an area of your business. I recently noted that you were one of the first banks in the North to avail yourself of or draw down the funding for lending scheme. As Paul Frew mentioned, and as other members will know, the big issue is the cash flow of, lending to and expansion in successful businesses. What, as you see it, are the advantages of the funding for lending scheme for small to medium-sized enterprises? Moreover, what are its potential advantages ahead of your other lending schemes? I am not entirely clear about that.

Mr J Brown: As far as applications to the funding for lending scheme are concerned, specifically, there is no establishment fee for the loan facility, and the interest rate for customers is discounted by 1% if the loan is for less than five years.

The Co-Chairperson (Mr McGlone): Are you targeting the scheme at any particular business sector, or is it wide open?

Mr J Brown: We are happy to consider any application that may qualify under the scheme. In fact, we have already booked some, as you will have seen last week, so we are proactively sorting that business.

The Co-Chairperson (Mr McGlone): You used the phrase “may qualify”. Are decisions on whether applications qualify based on the usual business assessment and the business case that are presented?

Mr J Brown: With regard to business credit, I am not sure whether anything specific other than normal lending practice applies.

Mr Cruise: The only specific criteria that I would note are those that relate to Ulster dairy farmers. As far as our credit decision-making and credit facility are concerned, we approve 85% of applications under the same criteria. The advantages of the funding for lending scheme are that there is no arrangement fee and the 1% reduction in the interest rate for five-year loans. That means that if you borrow £100,000 over five years, you will save £4,000.

The Co-Chairperson (Mr McGlone): What is the normal arrangement fee?

Mr Cruise: For a loan of £100,000 over the period, the arrangement fee will be £1,500 and the interest payment £2,500. That is the amount that you will save.

The Co-Chairperson (Mr McKay): Thank you very much, gentlemen, for that interesting evidence session.