



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Impact of Ulster Bank Systems Failure on
Businesses and Consumers: Ulster Bank

5 July 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Mr Paul Frew
Mr Patsy McGlone
Mr Stephen Moutray
Mr Robin Newton
Mrs Sandra Overend

Witnesses:

Mr Jim Brown	Ulster Bank
Mr Stephen Cruise	Ulster Bank
Mr Chris Sullivan	Ulster Bank

In attendance:

Mr Beggs	MLA - East Antrim
Mr McKay	MLA - North Antrim
Mr Cree	MLA - North Down
Mr Girvan	MLA - South Antrim

The Deputy Chairperson: I welcome members of the Committee for Finance and Personnel to the meeting. I invite you to participate in the oral evidence sessions that we will hear from Ulster Bank and the Consumer Council. Briefing the Committee today from the Ulster Bank are Jim Brown, the chief executive of the Ulster Bank; Chris Sullivan, the chief executive officer (CEO) of corporate banking division at Royal Bank of Scotland (RBS), with responsibility for Ulster Bank at RBS group level; and Stephen Cruise, the head of branches, private and financial planning. Ulster Bank officials have agreed to attend today's meeting on the understanding that they will leave by 11.15 am to attend another engagement.

I will manage the questioning of witnesses to give each member the opportunity to contribute within that time. This will be a very short engagement; the representatives have to be out by 11.15 am, and I want to give everybody who has come here today an opportunity to engage with Ulster Bank.

I welcome the representatives to the meeting, and I invite them to make an opening statement.

Mr Jim Brown (Ulster Bank): Thank you, Deputy Chairman, for the opportunity provided to RBS and Ulster Bank group to address your Committee on the issues concerning the significant IT failures that are severely impacting our customers in Northern Ireland. I am the CEO for Ulster Bank. I am joined

today by my colleague Chris Sullivan, the CEO for corporate banking division of RBS. He also holds responsibility for Ulster Bank at RBS group level. I am also joined by Stephen Cruise, the managing director of our branch banking for Northern Ireland. Following this introduction, I will be happy to take any questions from any of the members.

I want to make three key points. First, we unreservedly apologise for the disruption that the issue has caused our customers and customers of other banks. It is unacceptable, and our customers should expect better from us. Secondly, I give the commitment that teams across RBS and Ulster Bank are working flat out to resolve the issue. Thirdly, I confirm that no customer will be left out of pocket as a result of the incident.

The IT failure that Ulster Bank has experienced for customer accounts is unprecedented in the banking sector worldwide, not just because of its impact on customers but the scale, complexity and challenge that resolving it has presented us. We are not, in any sense, seeking to diminish the impact of the difficulties for our customers. It may be helpful to the Committee if I explain the initial problems and the challenges that we have faced in restoring the system back to normal. Ulster Bank's IT systems are run by RBS out of Edinburgh on behalf of Ulster Bank. Each evening, the bank processes the day's transactions across our businesses. This is a large-scale, highly complex operation. On an average day, RBS processes 20 million transactions. The transactions for RBS and NatWest are in sterling. The transactions for Ulster Bank are in sterling and euro, which adds to the complexity in processing for Ulster Bank. The transactions are processed in batches through automated systems. In normal conditions, this overnight batch-processing is completed before business resumes the following day. This process has run without serious failure for 25 years.

The initial reviews that we have carried out indicate that a problem was created when maintenance of systems, which are managed and operated by our team in Edinburgh, caused an error in our batch scheduler. The error caused the automated batch-processing to fail on the night of Tuesday 19 June. The knock-on effects created significant processing delays and required substantial manual interventions from our team. This was made worse because the team could not access the record of transactions that had been processed up to the point of failure.

The need to establish at what point processing had stopped delayed subsequent batches and created a backlog. Consequently, a significant number of customer account balances did not update as they should have from Tuesday 19 June. The exact cause of this issue will only be known once we have carried out a full investigation, which we will do as a matter of priority once the backlog has been fully cleared. Although the initial problem was rectified reasonably promptly, we are faced with a processing backlog that had to be cleared before we could return the systems to normal.

In order to be able to recommence automated batch-processing and move towards a normal state, the batches had to be brought back into sequence. Unfortunately for Ulster Bank customers, payments follow on in sequence after those of NatWest and RBS. That is because of the way that the technology was set at the time that the three banks were integrated. It in no way reflects the priority attached to Ulster Bank customers. Processing must be managed in a sequential and co-ordinated way. You cannot rush it and skip the backlog to bring customer balances up to date. Each day's processing needs to be fully tested to ensure that it has been successful before moving onto the next day.

These issues have hindered our capacity to be specific about when the system will be restored in full, as we have needed to be sure that the results for each day are robust before proceeding further. However, as detailed in the RBS statement yesterday, we now expect that next week, which commences 9 July, will be the final week of any significant delays for Ulster Bank customers. We expect gradual but significant and noticeable improvements throughout the remainder of this week and next. It is our expectation that, by the week of 16 July, the vast majority of customers will return to a normal service barring any residual reconciliations required. We will continue to provide daily updates on our progress. This has been complex, time-consuming and frustratingly slow to advance. However, I am confident that we will address and resolve the issues as they impact on Ulster Bank customers.

As I highlighted, once the critical system-recovery tasks are completed, RBS will carry out a detailed investigation, overseen by independent experts, into the causes of the problem. We will continue to liaise closely with regulators. We will publish the findings and circulate them to the Committee. In the meantime, our priority is our customers and restoring a dependable banking proposition across the island of Ireland.

As I said, we are fully aware of the challenges that this disruption has created for our customers and the customers of other banks. We apologise unreservedly for this. Our primary concern throughout this incident has been to ensure that all customers of the bank are supported and accommodated until our systems become fully functional and operational. At all times, we have communicated with our customers in good faith. We have introduced additional support initiatives for them, including Ulster Bank branches collectively having opened for an extra 1,100 hours, which included on Saturdays and Sundays. We estimate that 120,000 customers were spoken to directly in our Northern Ireland branch network. We have increased our call centre staff by 300%. We have seen nearly a million visits to our website, which is an increase of 90% on usual business volumes, and we have had nearly 200,000 views to the online systems incident question-and-answer pages.

We have been consistently committed to ensuring that our customers have access to funds through our branch network. We have directly engaged with customers who are in hardship or have required funds. We have made it clear that no customer will be permanently out of pocket. We have committed to ensuring that customer credit ratings will not be impacted as a consequence of the significant IT-failure challenges that we have faced.

In summary, I reiterate our apology to our customers, who, rightly, expect more from us than this incident has allowed us to provide. Our customers have shown us great patience, which, in large measure, is due to the strong commitment that our people continue to show in helping both to fix the problem and our customers through this inconvenience. This has been an unprecedented episode for Ulster Bank, RBS and the banking sector as a whole. We have committed ourselves to ensuring that we learn from the challenges that we have faced. Ulster Bank has proudly served its customers for 176 years. When this episode is over, we will work very hard to regain the confidence and trust of our customers and to ensure that we continue to remain a vital and necessary force in Irish banking. Thank you for your time. I am happy to take questions.

The Deputy Chairperson: Chris and Stephen, is there anything that you would like to add at this stage?

Mr Chris Sullivan (Ulster Bank): No.

The Deputy Chairperson: Thanks for that, Jim. We appreciate your taking the time to come to the Committee today to make a presentation and to answer questions. We all believe that it is important that as much information as possible is communicated to your customers and to those who are impacted by the ongoing situation.

Before we get into the business of asking questions, the first thing that the Committee would like to convey is our appreciation to the dedicated and hard-working Ulster Bank staff who have worked tirelessly in a very difficult situation to try to resolve this matter. The problem is technical, but we have seen great customer and bank dedication from your branch and call centre staff.

However, yesterday's statement referred to 16 July, and it said that the week beginning 9 July would be the last week with "significant delays". In my opinion, that date is not acceptable, because it is still a long way away. We need to reach a satisfactory conclusion much sooner than that. I also do not like the use of the term "significant" delay. It would be better if we could rule out any kind of a delay.

As well as the reaction to the technical nature of the problem, the communications and PR strategy undertaken by the Ulster Bank at a senior level has failed abysmally and has led to huge resentment among your customers. In addressing getting the message out and in dealing with the backlog, what requests have been made by Ulster Bank to RBS for additional personnel to support your front line staff, who face extraordinary pressures? As I said, they are doing a remarkable job in the most difficult of situations, especially when we consider the significant job losses that the Ulster Bank announced recently and the level of frustration and emotion that exists among your customers.

Mr J Brown: Let me begin by sharing what we have tried to do to communicate with our customers. Stephen will also touch on some of that.

First, we have tried to be completely open and transparent with our customers about when we expect, and expected, the issues to be resolved. The incident occurred on 19 June batch run, which impacted on our ability to process transactions for the morning of 20 June. At that time, and based on the communications that we had received from our technology people, we believed that we would be able to restore service to normal by that weekend, and we came out with a communication to say that. As

we got through the week and started getting into the technicalities of processing the backlog and the batches, it became apparent that that would take longer. So, we came out with a statement saying that it would probably be the end of the following week — that was when we expected it to be resolved. That, again, was based on the information that we had at that time.

Last weekend was quite significant for a couple of reasons. First, we made significant inroads into the technology issue, and, secondly, we were able to speed up the amount of transactions that were processed. In fact, we are now processing daily batches in fewer than 24 hours. We are catching up on the backlog, and customers are seeing transactions posted to their accounts. Based on that, we have estimated how long we think that it will take to clear the backlog. Clearly, we are working round the clock to try to do that sooner if we can. It is important for us to go out to our customers and give them a reasonable expectation of when we think the majority of this will be behind us. As I mentioned in my statement, we expect the issue to be resolved before 16 July. However, we will do everything that we can to try to resolve it sooner; that is for sure.

Steve, do you want to touch on some of the things that we have done for customers?

Mr Stephen Cruise (Ulster Bank): OK. First, I want to thank you, Deputy Chair for your comments. I will pass on the Committee's appreciation to the staff for the effort that has gone in.

As soon as the incident occurred, we brought into place our local contingency plan, which meant that we moved to a paper system. It also meant that we could take lodgements and arrange alternative methods of payment. We extended our opening hours in the network, and we have an additional 90 members of staff across the country. I was in a class this morning in which another 11 staff were being trained, and they will be deployed on Monday. We tripled the number of staff members in the call centre, and we have had a 1% call abandonment rate since then. We have answered, on average, 15,000 calls a day in the telephony centre and have met 25,000 customers a day face to face.

A total of 258 ATMs have been up and running throughout the entire incident, and only one temporarily ran out of cash. We have maintained the credit card platform throughout and have made a couple of enhancements so that people can withdraw money on their credit cards without incurring a penalty through a fee or in interest.

We have also created arrangements with the Social Security Agency (SSA) so that we can make individual arrangements for those who are on benefits or vulnerable. Those arrangements have been made up and down the country. Those involved can bring ID into branches, and we have a system through which we can check our back office and make payments on the basis of historical evidence rather than the current visible evidence. We also have systems in place up and down the country for our vulnerable aged and disabled customers, through which we can provide taxis for them and arrange for them to gain access to premises.

We have put out our help number, which is worth taking a note of again. It is 0800 231232. We have also created a number for those who are abroad and need to phone in: 00 48 28 90843556.

We have a number of relationship managers for our business banking customers. My colleague Ian Jordan, who looks after business banking, has ensured that every business manager is available to speak to business customers about making alternative and individual arrangements.

Mr J Brown: Deputy Chairman, I also want to touch on the aspect of your question about support from RBS. As soon as the incident arose, we were, naturally, engaging with RBS regularly. As the issue became more serious, I contacted Chris last Saturday morning, I think it was, and told him that we needed more support and resources. A significant resource has arrived in Ulster Bank across the island of Ireland, and we have over 100 people from RBS working with us on the ground. Chris, do you want to touch on that?

Mr Sullivan: Yes. Thank you Jim, and thank you, Deputy Chair, for your comments about our staff. I want to put on record that the commitment and the professionalism of those staff members has been outstanding. To help them, Jim phoned me last Saturday morning. I got on a plane, and I have been here for most of the time since.

I have extensive responsibilities for RBS in other places, particularly in the UK, and I think that it is testimony to how much we think of Ulster Bank that I have brought 100 people over here. They are

responsible for incident management and supporting operationally the very people in Ulster Bank that you talked about. We have a number of people who are less affected by the incident, and, from an operational perspective, we have redeployed staff around the region so that we can get them to the front line where it matters for customers.

We have to remember that this is a technical issue. On that basis, the people who are on the front line and everybody in Ulster are reliant on technical issues being fixed in RBS, which runs the systems. The speed at which that technical issue can be solved defines how fast we can get ourselves back to normal. We have communicated a backstop date now that we have a lot more confidence about what has happened over the past week or so, and, of course, we want our IT staff to fix the issue faster than that.

The Deputy Chairperson: Jim, when were the additional 100 staff were brought over?

Mr J Brown: Some flew in on the Saturday with Chris. Quite a few people flew in on Saturday; a lot more on the Sunday; and then progressively more throughout the week. I should reiterate that that is just the people who have flown in to work on the ground in Ulster. A huge number of people in the UK are working to resolve this in the IT areas and other parts of the bank. That is just specifically people on the ground here.

The Deputy Chairperson: In your original submission, the bottom paragraph of the first page states:

"The transactions are processed in batches through automated systems. In normal conditions this overnight batch processing completes before business resumes the following day. This process has run without serious failure for 25 years."

Does that indicate that Ulster Bank operates with an IT system that is 25 years old?

Mr J Brown: No. The systems are upgraded continually. If you just look at Ulster Bank, for example, it had a combination of Ulster Bank and First Active systems coming together, and then they were integrated into the RBS platform as well. I was referring in that statement to the process of processing those batches. They have run for 25 years without major incident.

The Deputy Chairperson: Throughout this situation, and once again in your statement, you have made a very clear commitment that no customers will find themselves out of pocket. That is a very welcome move, but I think much greater clarity is required. Does the reimbursement apply to charges on Ulster Bank and other providers' mortgage and loan repayments? Does it apply to missed direct debits and additional interest charges? Does it also apply to customers of other banks who have been affected because their employer uses the Ulster Bank?

Mr J Brown: Yes it will. 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. That includes the examples that you just gave: interest, fees, charges, and so on. We are also looking at whether we should be making other compensation over and above that. We are working through that. That will not be finalised over the next few days, but, as I have said, the intention is that customers, be they ours or of other banks, should not be out of pocket as a result of this.

The Deputy Chairperson: I appreciate that clarity, and an awful lot of people will welcome it. Has the bank, or the RBS group, tried to assess what that compensation will cost? Where will the funding come from to fulfil that? It is slightly unfair to expect the Ulster Bank to pay for it. Surely it should be coming from the RBS group as a whole. Is that being discussed within the Ulster Bank or in RBS?

Mr Sullivan: Obviously, this is an incident that goes past Ulster Bank; it was an incident for Royal Bank of Scotland and NatWest in the UK, so detailed investigations and calculations are ongoing at present. It is very difficult to establish the overall cost of something like this because, as you mentioned, the incident goes quite deep and quite wide. Until we have the ability to assess those individual situations, it is exceptionally difficult to put a number on it.

As for who pays for it, ultimately Ulster Bank is a subsidiary of the Royal Bank of Scotland and, on that basis, the costs for it will ultimately be borne by RBS in any event. I want to put on record that Ulster Bank is a core business within RBS. RBS has gone through difficulties over recent years as many people are aware. We have redefined our business into core and non-core business. The non-core

business is being wound down over time and the core business is being invested in. That is something that we envisage as a long-term event. We have invested £13 billion in Ulster Bank in the past four years, and we will continue to invest as necessary.

The Deputy Chairperson: Have any contingency funds been set aside to cover compensation claims, and when can we expect the claim process to begin? As the technical issue is being resolved, I do not think that there is any reason why the compensation process should be delayed. It should open immediately and the terms of it should be clearly outlined to consumers. When can we expect that process to begin?

Mr J Brown: I share your sentiment on that. We want to get the processes under way and implemented as quickly as possible. Right now, the focus, as we speak, is on clearing the backlog very quickly. While we are doing that, we are building capability for processing any remediation. We expect to have the policies on that finalised over the next few days, maybe into early next week. As soon as they are available, we will communicate those to our customers.

Mr Sullivan: I would add that the whole objective is to make sure that customers are not affected by being out of pocket. We understand the issues that they face. Our whole theme is to do this as quickly and as painlessly as possible. We recognise that we have already discomfited and disturbed people's normal behaviour, so we want to do as much of the restitution as we can in an automated fashion. We have been in touch with many of the major organisations and asked whether we can deal with the problem on a bilateral basis so that customers need have no involvement in this whatsoever. Where they do have to have involvement, we are trying to make the process as quick and as simple for them as we possibly can. So we envisage there being many situations in which we can deal with this really quickly. The funds are in place to be able to do that as soon as is necessary.

The Deputy Chairperson: Turning to the wider economic impacts of the crisis, unquestionably, there has been a huge decline in the level of trust and confidence that consumers here have in Ulster Bank. Unfortunately, there is a significant risk that an awful lot of customers will leave your bank when they are given the opportunity. The wider danger there is that that would result in further job losses in the Ulster Bank, which none of us wish to see. What plan will the Ulster Bank put in place to try to regain consumer confidence in the Ulster Bank and repair the damage that has been done to its reputation?

Mr J Brown: Throughout the crisis, we have received significant support from our customers. I really thank them for that support, because clearly we have made things difficult as a result of this process. I have been to several branches and talked to many customers, primarily to make sure that we are helping them in the short term and getting things resolved as quickly as we can for them.

The key point, which I made in my opening statement, is that we have been here for 176 years. What occurred two weeks ago was a major incident, but throughout the 176 years of our existence we have provided a high level of service to our customers and to the community. We want to get through this as quickly as possible and work on regaining the trust of our customers. Getting back to providing the type of service that they expect from us is critical and is our number one priority. We are committed to continuing to support the community, be involved in lending, and support SMEs. It is going to take time to rebuild the trust; there is no doubt about that.

Mr McKay: I declare an interest as a customer of the bank. I also used to work in the call-handling unit and the account management centre of the Ulster Bank at Danesfort, and I can only imagine what the staff there are going through at the moment. As the Chairperson said, we should have sympathy for the front line staff as well as the customers.

This has been an absolutely appalling episode. It is a great shame that you cannot stay with representatives of the public for more than an hour — you should make more time to speak to us this morning. This is one of the worst examples of contingency planning that I have ever seen.

I was listening to RTÉ Radio 1 yesterday, and there was a discussion about the fact that we are third behind RBS and NatWest. It was described as a case of "Paddy being left at the back of the queue". I think they were right, because, let us face it, it was never going to be the case that Ulster Bank would be dealt with first, followed by RBS and NatWest. You can argue about the IT system, and so on, but that would never have been the case. It is absolutely scandalous, and serious consideration needs to be given to ensuring that the Ulster Bank IT system is stand-alone and not connected to the systems of the other two.

Mr Sullivan: I can categorically assure you that there was no deprioritisation of the Ulster Bank on this issue. As I said, I came over here immediately when I became aware of the issue escalating to the level that it has. I specifically ensured that nothing of that kind could have or had happened. The problem for Ulster Bank is that its system is built in a way that links it intrinsically to that of NatWest. If NatWest bank is not solved, then Ulster Bank cannot be solved. That is what caused the delay. In trying to bring Ulster Bank into line quickly, the data involved was corrupted and mixed and had to be taken back to core, which took several days. That took an enormous amount of manual effort, which involved backlogs for the Ulster Bank process as a whole. The issue has been the recovery of those systems for Ulster Bank as we go forward as each day goes on.

Mr McKay: We know the result of all of that. Moving forward, do we need a separate stand-alone system?

Mr Sullivan: At RBS group level, we have already committed to an independent review. We have to know what went wrong here. This is a totally unprecedented situation for any bank worldwide, as far as we can see. So every bank in the world is watching this. We have to understand what went wrong and what went wrong in the system and, in particular, with the recovery issues. We are committed to publicising that report and to sharing it with the regulators and, indeed, with other banks in the world so that they do not have the same issue.

Mr McKay: When will that be completed?

Mr Sullivan: As fast as it is possible to do a comprehensive report and understand fully the facts.

Mr McKay: Approximately?

Mr Sullivan: I have no idea; I am not an IT expert.

Mr McKay: Could it be a year? Could it be a number of months?

Mr Sullivan: No, I would think that it would be absolutely nowhere near that length of time. We want this done very quickly, for our sake and for the sake of everybody else.

Mr McKay: How highly was this flagged in your risk register?

Mr Sullivan: This is the number one priority in RBS group.

Mr McKay: I mean before the event took place? There have been discussions about not enough human resources being in place in IT. This should have been flagged up much higher than it was.

Mr Sullivan: There is an expert, highly skilled and totally staffed-up resource dedicated to Ulster Bank in the RBS group. There are contingency plans and risk registers in place. I have not got the IT-specific element with me. I can come back to the Committee, if you wish to see that risk register priority. I can categorically assure you that the key issue for us is to establish what went wrong in the process, and in the recovery process in particular.

Mr J Brown: For the Committee's knowledge, the person who is running with this programme at group level is the chief risk officer for the bank. He is working full-time on resolving the issue. So, this is being managed at the highest levels of RBS group.

Mr McKay: Were there appropriate human resources in place?

Mr J Brown: I guess the issue that you raise is around the contingency plan and whether it worked as expected. It is pretty clear that it did not, and we do not know the reason for that.

Mr McKay: Should you not know at this stage?

Mr J Brown: Right now, we need to complete the investigation to find out why it did not work as it should. The focus right now is on —

Mr McKay: You have no rough idea of what caused this?

Mr J Brown: The key focus right now is getting the systems back to normal and getting the backlog cleared quickly.

Mr McKay: I would certainly expect you to be better informed on the cause.

Mr Sullivan: It would be exceptionally dangerous for us to try to second-guess what went wrong in a highly complex IT system where none of us is an expert.

Mr McKay: Was it the case that there was an upgrade —

Mr Sullivan: We have been very public —

Mr McKay: Was that upgrade tested before it was mainstreamed onto the system? You obviously do not have any of this detail.

Mr Sullivan: If you would allow me, Mr McKay.

Mr McKay: I will allow you.

Mr Sullivan: The initial issue occurred on 19 June, and it occurred in the batch processing system. The problem arose around something called an autoscheduler. The autoscheduler takes all of the different systems that feed the overnight process of moving transactions from the pay to the other side of the account. So it moves ins and outs in terms of all of the different feeds. That is some 250,000 processes and some 20 million transactions a night. That autoscheduler was upgraded, and that upgrade appears to have failed. The upgrade was taken out. There is a process for putting upgrades in and taking them out, and that process was followed to the letter. When it was taken out and repaired, it appears that there was a memory which said where that scheduler should have been and which processes, of those 250,000, had been fulfilled and which had not. That memory was wiped. No one knows why, and that is why we have to do an investigation into it.

I think you can understand that, from 250,000 processes which have to be ordered exactly to get a process through in an efficient manner for 20 million transactions, when that stops and you have to deal with that on a manual basis — the reason it is automated is that it cannot be done in a normal time frame. That is what caused the problem. Past that, I am outside my level of technical expertise, and that is why we need to get an expert in to understand why. I have been focusing all of my attention and that of the team on trying to solve the issues that have been caused downstream of that for our customers so that we can make their lives as normal as they can possibly be in this unprecedented set of circumstances.

Mr McKay: Thanks for that. This is quite a serious episode for the Ulster Bank, which has a long history going back 175 years. Given the events of the past few weeks, is it appropriate, in your opinion, that RBS or Ulster Bank senior group members take bonuses?

Mr Sullivan: I have not even thought about bonuses since I have been here, and neither has anyone else here. Our chief executive at group level, Stephen Hester, has made a gesture, which is public, on behalf of the group. The rest of us have been focused on getting the customers back to normal, and that is what we will focus our time and attention on.

Mr McKay: Will you follow that example?

Mr Sullivan: I will continue what I came over to do 12 days ago, which is to get the customers up to date. Any bonus that was applicable to me on a personal basis would be based on my complete duties across the whole of my responsibilities. That will be decided by an independent panel some time next year. In the cold light of day, I will review my position.

Mr McKay: For me, the pressing issue is public confidence in RBS and the Ulster Bank group. For you to take bonuses in the wake of what has occurred will send out entirely the wrong message to the public. What do you get every year for a bonus?

Mr Sullivan: I have no idea. It is —

Mr McKay: What was your last bonus?

Mr Sullivan: My bonus is a private matter. It had nothing to do with any responsibilities that I have for Ulster Bank, because I only got involved with Ulster Bank some three months ago.

Mr McKay: In terms of compensation, the 'The Irish Times' has made reference, in terms of the proceedings in the Dáil yesterday, to compensation processes that will be agreed before the weekend. Is that correct?

Mr J Brown: First, let me restate that no customer will be out of pocket. As I mentioned earlier, we are working on the matter of compensation over and above that right now. I expect that we will get something finalised in the next two or three days, so that is the end of this week or early next week.

Mr McKay: I know that the Chair referred to this earlier —

Mr Beggs: Excuse me, are other members of this Committee allowed to ask questions at some point? This is really quite —

Mr McKay: Roy, allow me to finish without interruption. It is important that we try to get to the crux of these issues, and I will conclude shortly. Thank you. Compensation is a big issue for the public. On 'The Nolan Show' this morning, the issue was raised of people who are going on holidays, for example, and do not have enough money. Will they be compensated for that knock-on effect?

Mr J Brown: We have put arrangements in place so that people can get access to the funds in their accounts and their salaries.

Mr Cruise: Absolutely. As we said at the beginning, we have made arrangements around credit cards. The credit card system has not been down, throughout the whole incident. I absolutely accept that, instead of people being able to get the money on an automated basis, they needed to go to the branch and get the cash, where it is euros, dollars or, in fact, English notes, if that is what they require. We have those in every branch up and down the country. Adjusting to coming in to see us is the unfortunate consequence of this, but we are absolutely in line to give them what they need.

Mr McGlone: Gentlemen, thank you very much for coming along and meeting the Committee. My colleague, who, unfortunately, cannot be here today, facilitated that. Through our constituency offices, we know of the problems with the bankers automated clearing services (BACS) system, with businesses not seeing their lodgements and with people not being able to be paid some of their benefits and their housing arrears. You will be aware of some of those. All of that stuff is out there; that is the human face of it. We can sometimes get a bit sucked into the processes. I listened last night to the evidence from representatives of the Central Bank of Ireland who drew a number of conclusions. They said that the contingency planning was, in their words, appalling, and that customer communications were poor. During questioning from the Committee in the Dáil, they said that a serious body blow had been dealt to the cashless banking system in that confidence in it had been eroded.

I have heard that some of your staff, by and large front line staff, have been excellent in trying to assuage people, but they are only working with what they have in that the communications to them have been very, very poor. They are not able to work with the situation. There are a number of issues, and I do not think that we have got the full outworkings of them. After hearing from you, I do not know whether I am assured or maybe a wee bit more worried in that you have not really got to the nub of what this issue is about.

I have two questions, Chair, and I will be brief because they go to the heart of the issue. We are hearing from people who are suffering as a consequence of this on the radio programmes and in our constituency offices, and at the end of the day, what people will be looking to after all this is over, after it has been dealt with and hopefully put to bed, is restitution. Can you give us assurances that there will be a restitution plan not only for your customers but for people directly affected as a consequence of what has happened here? That is key to this, because banking has been dealt a serious blow, people are feeling hardship, particularly at this time of the year, when those who are paid weekly are paid a double week for the Twelfth period.

I was tempted to ask whether you can assure us that this will not happen again, but you do not know at present exactly what happened. I am getting a general idea of what you think might have happened. I know nothing about the technology of this; I share that with you Mr Sullivan, although you may have a bit more knowledge of these things. I hope that this could not happen, but even as you are trying to pick up on the backlog, if there is a corruption in the system, is there anything to stop that corruption kicking in again and causing further problems? I am not hearing from you that you are confident that you have got to the nub of what the problem is. So, two things: the restitution plan; and the assurance that this cannot happen again.

Mr Sullivan: Shall I deal with the IT side first, Mr McGlone?

Mr McGlone: Yes.

Mr Sullivan: This corruption was a two-day thing. Basically, data got mixed across the two dates, and the Ulster Bank system in its own right is sort of agnostic on dates. The RBS system kicked out anything that had the wrong date and the Ulster Bank system did not, so we had to manually sort the dates out. That has been solved. We are now in a position where the systems are running fine on a day-by-day basis, but they are having to catch up, and there is no possibility of corruption in that sense whatsoever. For this incident, I can assure you that that form of corruption cannot occur.

Nobody in the world can give you that categorical assurance that nothing will happen to our systems in future. What I can tell you is that these overnight systems have run for 25 years and have never let us down. This is a completely unprecedented scenario, and until we have the details of the investigation and this issue is resolved, we do not know all of the facts.

Mr J Brown: As to your second point on restitution, as I mentioned earlier, the key point for us is to make sure that no customers are out of pocket. We are looking at compensation and we will have something out on that in the next few days. We will advise our customers and other people who have been impacted accordingly.

Mr McGlone: OK. Have you any thoughts on the body blow that has been dealt to cashless banking as a consequence of this?

Mr J Brown: I think the key thing is, as Mr Sullivan touched on, that we need to do is a complete review of the system architecture and how the process is run and also look at why the contingency plan did not work as it should have. We really need to get through that first. As Mr Cruise mentioned, customers were able to access ATMs, point-of-sale cash advances and those sorts of things. They still worked. The big issue for us really was the backlog of transactions and payments that we had to put through the system. We were still able to get cash out electronically.

Mr Cruise: One of the points is that point-of-sale systems, ATMs and our internet and mobile technology to make payments back and forward have come online again. The big thing is the visibility of the balances, which is difficult, while, behind the scene, the direct debits, for instance, have continued to be paid. We met Minister Wilson last week and there was a discussion about the rating payments. I see in the newspaper this morning that he has clarified that those payments did go through and were taken and that, therefore, there was not a requirement for a double dip next month. It is getting that message out and making sure that people know that up and down the country.

Mr McGlone: To come back on that, ATMs and the like are just one facet of banking. There are the problems that people have been experiencing with the BACS system, payment of wages especially, as well as other aspects of it. For example, I know of one case in which a social security payment of mortgage arrears for a gentleman was signed off on and transferred on 20 June, but still had not been reflected in his bank. He has arrears to pay to a mortgage company. This is not really much consolation to him. There is more to it than just going to the ATM and taking money out of the hole in the wall, with the greatest of respect, Mr Cruise.

Mr J Brown: If there are individual issues that customers have such as that, they should definitely contact us, either through the call centre or through the branches. We need to make sure that we get our customers sorted out as quickly as we possibly can while also processing the backlog of payments and so on. As I mentioned earlier, we are making progress and payments are starting to come through quite rapidly back into people's accounts, but we have still got some way to go.

Mr McGlone: OK. Thanks for that.

Mr Newton: First of all, I want to ask for some clarification on something that gives me some cause for concern. Is it right that you made a request to the Assembly to come in by a door other than the front door this morning?

Mr J Brown: I have no idea what arrangements were made for us to come in today. We came in through the guardhouse down the street, walked up the path and through the door on the right.

Mr Newton: Is it right that a request was made to come in by a door other than the front door this morning?

Mr Sullivan: I think it is fair to say that we came in where we were told to come in.

Mr Newton: So no request was made?

Mr Sullivan: I have no idea. We were just ushered into a particular route and we came in through the first door we saw. That is where we were told to go.

Mr McGlone: I saw you coming in.

Mr Newton: I know they came in by the front door, because, as I understand it, the request was refused. We will leave that, but if that was the case — and we will confirm whether it was or not — it would not do your reputation good, as I think that a complaint from the public is that it has been difficult to see the face of Ulster Bank in the media over the past number of days.

Many of the questions have already been asked, but what is the contingency planning, and the communication strategy around contingency planning? What is that? Will you outline how that should happen and how you have communicated with either individuals or businesses over this time? The expression that you have used several times now is that no individual will suffer loss — no customer will suffer loss. What factors will you take into account? When should the customer expect to know his or her level of compensation? Will that be a claim process, with the customer having to go and make the claim?

One of the other aspects, which Mr McGlone touched on, was in the area of a customer's reputation suffering and the impact that that would have on his credit rating in the future. In and around all of that, there is the reputation of the Ulster Bank. What will the Ulster Bank — which is a crucial part of the Northern Ireland economy — do? What is the strategy now to rebuild your reputation and gain the confidence of customers, if that is possible? What percentage of customers do you expect to lose over the coming days?

Mr J Brown: OK. Let me answer a couple of those points, perhaps talking about customer support first, and then touch on contingency planning and share a bit about what we have in place in the network.

First, as I mentioned earlier, we have had incredible support from our customers over the past two weeks. As I said in my opening statement, I sincerely apologise to them and to other banks' customers for the disruption that we have caused. So far, we have not seen any attrition in customer numbers, nor have we seen any outflow of customer deposits from the bank. Those are indications of the support that we have had throughout this incident. Our key focus now is to get our service levels back to what they should be as quickly as possible. That is of number one importance to us right now

We have a 176-year history of supporting our customers and the community. I want to get the bank back to where it should be. The sooner we can do that before 16 July the better, after which we will just have to work to earn and restore our reputation.

On contingency planning, clearly there were issues around contingencies with regard to batch processing. That did not perform as it should, and the investigation will look into that. We implemented significant contingency planning for these sorts of situations — not exactly like this — to make sure that customers have access to the Ulster Bank.

Mr Cruise: Mr Newton mentioned communication first of all. Obviously there is a daily update to our staff on a face-to-face basis and we have updated our website and helpline. We have had external posters advertising, and we have improved that as we have moved through the incident. We absolutely apologise for the fact that there has been this challenge for our customers.

Our first set of branches stayed open late on the Friday night and we opened for additional hours on the Saturday. In an unprecedented step for Ulster Bank, we opened on the Sunday and, in the following week, we maintained and increased the opening hours to 7.00 pm across our branch network, to 32 branches. On the following Saturday and Sunday we increased opening hours in more branches.

At the beginning of last week we had 42 branches in Northern Ireland open from 9.30 am to 7.00 pm, and we have maintained that. We are keeping constantly aware of the flow of customers. As we said earlier, we have had 120,000 face-to-face meetings with customers. The helpline is important, and we have managed to keep that up and running.

In response to Mr McGlone, I am not saying that everything is back to business as usual (BAU), but we are doubling and tripling our efforts on some occasions to make sure that we can meet our standard contingency plan to look after our customers as best we can until we get up and running and back to BAU.

Mrs Overend: A lot of questions have already been answered, but I appreciate the opportunity to ask some further questions. We have already touched on communications with both customers and your staff. You have outlined some information, but I know that staff have been depending on reading the news and circulating it among themselves, and it is not acceptable that they should be working for a company but have to depend on external information to filter through to customers. What plans do you have in place to improve that?

You talked about face-to-face information. They need that high-level information through by e-mail as soon as it is available. Can you assure me that that will be improved?

How have you been communicating with customers? You need to be more proactive in reaching customers and not waiting for them to come into the branch to talk to you. It is an IT world; are e-mails going out to your customers? Has that been happening? Surely that method is bound to be available. Also, has there been a level playing field as to how accounts are updated? Can you give me more information on that? Is one customer going to have their account ready before another? If so, is that because there is a huge amount of transactions in their account? Can you answer that? Also, have you plans for further IT upgrades for the rest of this year? Perhaps you could inform customers if you are planning to do that, so they can take some extra money out or make some contingency plans before your next upgrade.

Mr J Brown: Let me start, and I will hand over to Stephen in a moment. For clarity: we have been communicating to our staff daily. You share how we have been doing that, Stephen. Staff have had daily updates, and daily communications in various forms have been going out to customers. Perhaps you can explain that, Stephen.

Mr Cruise: Absolutely. Perhaps it was the way I conveyed it earlier; what I meant by "face-to-face" was face-to-face interactions with customers. Every day, we have three audios per day through management line to the staff. That is happening three times a day, every day and has been the case throughout the entire incident.

In respect of communicating directly with customers, we have been using e-mail. In fact, we engaged with government and got 40,000-plus e-mails sent out to employees last week; in terms of Civil Service employees, 28,000 or 29,000. Those were sent out directly through schools, health trusts and so forth. We got that sent out directly to customers.

Mrs Overend: I am an Ulster Bank customer, and although my account has a minimal amount in it and I do not use it, I have never received any communication. I do not use the account as such, but I fail to see how that is the case.

Mr Cruise: Obviously — and I am not hiding behind legislation — we can only send out e-mails when people have signed up for e-mail communication. We obviously have to stay within the legislation on that. However, where we can, we have used the other means available to us. That is why we have

used the helpline and the website, as I said earlier. Again, we have listened to the feedback from some Committee members in terms of making it easier to see on page 1 or whatever of the website which branches are open and then getting that printed in the press so that people do not have to use the web to get the information. So, there have been improvements as we move through.

Mr J Brown: Stephen, you have also been the daily spokesperson for us in Northern Ireland and have provided updates as well.

Mr Cruise: Yes. I have been involved with the press, and I see some of the individuals behind me. It has been a very new process for me, but I have endeavoured to give honest, straightforward accounts. The difficulty that I have found in the process — this relates to what Mr Sullivan and Mr Brown said earlier — is taking time to listen to the process problem. As payments become visible, that is totally the truth as has been given out. I am happy for people to go back over every statement I have made in any interview to the public. That will be borne out: that this is how the process has been improving. The difficulty comes when I listen to some of the communication; it just takes people off in tangents, which unfortunately confuses the situation.

Mr J Brown: On your question about updating accounts, the main issue we have is that the majority of our payments go through the batch scheduler, which Mr Sullivan touched on. So, the primary focus for us has been to get that addressed. Other types of transactions are going through the system at different times. Mr McGlone commented on the use of BACS and so on, and some of those types of payments have been going through faster than the batch backlog. That is primarily because it is a different type of process that we are using. So, the core problem we are grappling with is anything that goes through the batch scheduler. Other types of payments are processing at different speeds.

Mr Agnew: Thank you for coming here today, gentlemen. I go back to the issue of compensation, because that seems to be fundamental to some extent. We are in the midst of the crisis, so it cannot be undone. In that regard, you have mentioned a number of times that no customer will be permanently out of pocket. There have been some questions around others who may not be Ulster Bank customers, and there has been some sense that there will be some kind of compensation for them. I am just trying to get a sense of how far that goes. 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? Ultimately, we will see that there will have been a dip in the Northern Ireland economy, because this is going to cut across. It is hard to know how that can be fully compensated. However, whether it is a business or a pensioner who cannot access cash, how is that compensation going to be decided? Are people going to have to push? Are there going to be onerous requirements in respect of proof of loss in order to receive that compensation? Are people going to have to be proactive? There will be those who will be very proactive and very able to fight their corner, but there will be those who will have less understanding of the system and of how to get compensation. Therefore, is there going to be automatic compensation for all your customers — I do not know how that would work with other customers — or are people going to have to go into every individual case? There are a lot of individuals here. Will each individual have to produce evidence that they require compensation?

Mr Sullivan: The question and the way that you posed it highlights just how complex an issue it is. As I outlined earlier, the first thing to say is that customers of the Ulster Bank are the most important people in this whole situation and what we do for them and how we treat them. Any business, and a bank in particular, needs to serve its customers well and earn trust. We recognise and are incredibly sorry for any disruption that we have caused anybody in this whole scenario. It is a complex web. Therefore, we have tried to put some broad principles in place to start with.

There are some issues around charges and fees and things like that, which we levy or other major institutions levy. We have tried to think through as many of those as we possibly can, and we have engaged some trade and industry bodies and consumer groups to try to help us to see those things. We are trying to deal with all those things offline from customers so that they do not have to get involved at all.

Then you start to get into themes that are less obvious. We are trying to establish some of those too. Then you get into individual circumstances. We could spend forever trying to work out all the individual circumstances. So, the key themes are that we are going to make this as easy as we possibly can for customers because we do not want to cause any more disruption to them if we can avoid it. We will deal with people's individual specific cases in the round, so we need to understand all those aspects. We will try not to make that a difficult process. This is not about squeezing money out

of this; it is the other way round. We want to compensate customers for what has happened to them in the right way.

Having said all that, we also need to protect those customers from people who try to do something fraudulently. There will be some people who will try to do that, and we will try to put something in place that absolves that, but our key theme will be to make this as easy for customers as we possibly can because it is our customers who will build our franchise going forward.

Mr Agnew: Just on that point, we are going to speak to the Consumer Council after this briefing. If somebody goes through the Consumer Council, will you go through that third party to ensure that people are compensated? Will you work with the Consumer Council to make sure that the people who go through it are adequately compensated?

Mr J Brown: We will have to work through it. Right now, the focus is on designing the process. We have been talking to other banks about how we do that for other bank customers to try to make it as seamless as possible, as Mr Sullivan said. I am not aware of the real details of how we are looking to process it, but, as I mentioned earlier, the aim is to get clarity on that and get it out as quickly as we possibly can — early next week if we can.

Mr Agnew: OK. Thank you. Mr Brown, you said that RBS will carry out a detailed investigation, which will be independently monitored. Mr Sullivan, you said that there will be an independent review. To date, all the information we have has come from Ulster Bank and RBS, which is necessary as part of the situation. However, when it is subsequently investigated, we will want to hear independently what went wrong. Who will conduct that investigation? Will the FSA be involved? Will that be their remit? Is it going to be independent, with the assistance of RBS and the Ulster Bank, or will the RBS and Ulster Bank carry out the review with independent monitoring? At the end of all this, we will want to hear from independent voices

Mr J Brown: I mentioned earlier that the RBS board has asked for an independent review to be carried out. The terms of reference for that are still being worked through, but, clearly, as Mr Sullivan said, the idea is to get that review under way as quickly as possible. I am not sure what sort of review the FSA or Central Bank of Ireland will do, but I am sure that they will do a review as well. The aim of the RBS independent review is to make the findings from that publicly available.

Mr Agnew: One more very brief question. Since the crisis kicked off, what engagement have you had with the Minister of Enterprise, Trade and Investment? I am thinking specifically of the difficulties for businesses, particularly small businesses. Have you engaged with the Minister?

Mr J Brown: We have been engaging with quite a number of people.

Mr Cruise: As I said earlier, Ian Jordan, who looks after the business banking side in Northern Ireland, has been meeting the individual bodies. Last night, he called together a meeting of six of those bodies for a further briefing. It is our intention to post information on their websites to assist them as we go forward.

Mr Agnew: But you have not had any direct engagement with Minister Arlene Foster, to the best of your knowledge?

Mr Cruise: When the chairman, Sir Philip Hampton, came in, we briefed Minister Wilson. Minister Foster cancelled her meeting after that, because she got a good briefing on the back of the meeting we had with the chairman.

Mr Sullivan: Both Jim and I have spoken to Minister Foster, as well.

Mr Moutray: Given the untold misery that has been caused to tens of thousands of Ulster Bank customers, business and personal, will you undertake to see that customers' credit ratings are not negatively impacted? Will you give an undertaking that you will open next week during the 12 July holiday, to facilitate the many people who still hope to go on holidays? Will you, Mr Brown, as chief executive of the Ulster Bank, decline any bonus that you may be offered in the current financial year?

Mr J Brown: On the question of bonuses, that has already been answered by Mr Sullivan. I share his view.

Mr Moutray: Could you clarify that again for me, please?

Mr J Brown: My view is that, right now, the focus is completely on sorting out the issues for our customers. My performance will be measured across the business for the whole year. This crisis will clearly be a part of that. If I am in the situation where a bonus is offered, I will have to review what I do with it at that time.

On the credit rating issue, we have already entered into discussions with the credit bureaus. We are working with them to make sure that our customers' ratings are not impacted. Right now, the key to enable us to do that is to get the transaction backlog through as quickly as we possibly can so that we can see how those ratings are impacted. We are already in discussions.

As to 12 July, our view so far has been that, if we needed to extend hours — to open on Sundays and so on — to be able to service our customers, we have done. Stephen and I are already in discussions about what we may need to do so that customers can get support on 12 July.

Mr Cruise: I would like to come in on that point, Mr Moutray. Let me be clear about my point earlier: we will be open on Friday 13 July.

Mr Moutray: As you usually are.

Mr Cruise: At the minute, the only bank holiday is 12 July. That is under review. I have worked in the bank since 1979. The Friday prior to that holiday period is always the busiest day of the year. It was when I joined in 1979; it still is. That is the day on which we are geared up to meet the needs of the vast majority of customers. That is this Friday. As I said, 12 July is under review, but we will be open on 13, 14 and 15 July, which is the Friday, Saturday and Sunday. We believe that we can meet the customers' needs. However, as I said, we will keep that under review.

Mr Moutray: OK. I have one further question. Do you have a PR department in Ulster Bank?

Mr J Brown: Yes, we do.

Mr Moutray: Why is someone from that department not here today? Quite honestly, the reaction to the fiasco from you has been poor. You have failed to engage on radio shows, to which many people listen. Many of your customers are not physically capable of getting to the bank on a regular basis or standing in a queue for half an hour. I believe that you have failed those people. Even at this late stage, it is time to step up to the mark.

Mr J Brown: As I said earlier, we have put out numerous communications through various forms, be that through the internet, newspapers, e-mails, radio interviews, TV interviews and so on. As I mentioned earlier, the challenge for us has been that, because the technology issues have been more complex and taken longer for us to resolve than we thought, we have had to extend the dates by which we thought we would resolve it. Our intent has always been to be open and to communicate to our customers exactly how we see the situation. Right now, I have a lot more confidence. We made significant progress on the IT issues late last week and through the weekend, and we are processing the transactions through customers' accounts, and customers are seeing that. As I also mentioned, we will be giving daily updates on the progress that we are making.

Mr Sullivan: Can I just take the final question around the people who cannot get to the branch? Part of the regular communication is to tell people to contact us by telephone at the branch and we will resolve that. Our first issue was to deal with those who are vulnerable. Processes are in place for us to get the cash to the people directly. There have been incidents where, if it has been exceptionally urgent, our staff have gone out and physically delivered the cash themselves, and I have many, many incidents of that. I believe that we have a process in place to get cash to people where they need it, especially if they are vulnerable, and that is crucial.

Mr Cree: First of all, on the IT systems, is there adequate backup and adequate storage of that backup? Is it the situation that the IT is too big for the one system, and can you assure us that none of it is outsourced? Mr Brown talked about people transferring accounts. I understand that it is not possible to fully effect a transfer at this stage. I guess you would not really be able to know that. Finally, how sure can we be that all is going to be settled by 16 July?

Mr J Brown: With regard to your question about transfers, people can withdraw money out of their accounts if they want to move those balances elsewhere. As I mentioned earlier, we have seen no significant reduction in our account balances as we have gone through the issue.

Mr Sullivan: You will accept the caveat that I am not a technical expert. However, it is a sensible question to ask and one that we have asked ourselves from the front line. The chief technology officer for the group is handling the whole scenario, as is my colleague on the executive board, who is the chief administration officer as well as our chief risk officer. A backup plan is in place for all our systems, and it is regularly tested and independently audited. Therefore, all of those issues are in place. There is a disaster recovery plan and all of those different things. There is, obviously, a failure. At this point, I cannot explain that failure and neither can the technical experts, because it is a forensic exercise to understand exactly what has gone wrong. We are very interested in that, as is everybody else. As soon as we find out, we will be able to ensure that we learn from those lessons, and we will share those lessons with everybody else. We will be very open and transparent. It will be independent. The issue of whether it is too big will be part of that and has to be part of that particular investigation, and we are very interested in that too.

With regard to your outsourcing question, the systems are run for us in Edinburgh. All of our batch processing activity is run for us in Edinburgh. As far as the 16 July backstop date goes, we have been watching how every day recovers. We are seeing movement on our customers' accounts every day. I get an update every time I go through a critical part of the process as to the time it is actually done and the time it has taken to do. Because of that, I have built up a trend over a period of time that allows us to forward view when the situation will be resolved. On the basis of that information, we predict that that will be resolved by, at the latest, the week of 16 July. Hopefully, the vast majority of our customers will experience back-to-normal scenarios some time next week.

Mr Cree: So, is 16 July written on tablets of stone, is that right?

Mr Sullivan: Based on any information that we can deal with that is valid.

Mr Dunne: I welcome the panel and the presentation today. My understanding is that a lot of banking is about risk management. I have heard very little talk about risk management today. Did your risk management systems go down? Basically, it comes back to an IT failure. Your backup plan did not work, and, as a result, we have seen the failure of what seems to be a 25-year-old system. The risk management system did not work; there was a major failure.

Mr Sullivan: I would like to clarify that the system is not 25 years old.

Mr Dunne: Well, we heard several mentions of it having run for 25 years. That is our understanding. It has been upgraded, but the actual system dates back 25 years. Is it due to be replaced?

Mr Sullivan: No. Overnight batch processes have been running for 25 years. There are regular upgrades; our systems are heavily invested in at all times.

The other point that you made was about risk processes. Quite clearly, a part of the risk management process that deals with IT has failed, and we need to understand that. We are very clear that we need to understand that, and we are very clear that we need expert advice to forensically discover what that is so that we can deal with it.

Mr Dunne: Who is responsible for risk management in the organisation?

Mr Sullivan: Ultimately, the chief risk officer of the group and the chief executive of the group.

Mr Dunne: Who is accountable for it?

Mr Sullivan: Those people, and everybody who handles risk, right the way through.

Mr Dunne: What do you intend to do coming out of this incident? What would you like to learn from it? What would you like to put in place to stop a recurrence?

Mr Sullivan: We would like to understand the issues comprehensively. We would like to learn the lessons that come out of that comprehensive review and then institute reparation in the organisation to make sure that we have learned from the issue, to ensure that it cannot happen again, and to make sure that any crossover or knock-on effect is taken into consideration as well.

Mr Dunne: Could there be lessons for other commercial operators, businesses or industry?

Mr Sullivan: We have been very well supported by the other banks through this very difficult circumstance. From the very outset, this is an issue that the whole industry could learn from. On that basis, I have committed to sharing the learnings that we have with them at the earliest opportunity.

Mr Dunne: We all live in an IT world; we live and breathe it. It is shocking that one failure can have such a devastating impact. Lessons must be learned from it for everyone.

The Deputy Chairperson: We have been through nine members and, to date, nobody has asked whether you have turned it off and on again. *[Laughter.]*

Mr Girvan: Thank you for coming along this morning. The incident happened on 20 June, and here we are getting an indication that, by 16 July, almost one month later, it might be resolved. The difficulty is that the dates that have been given to people have been broken on a number of occasions. That has done nothing but erode confidence, not only in Ulster Bank but in the whole banking system. It seems that we are in a Third World economy when these sorts of things happen. We see how much we rely on IT, and how, when something goes awry, it can have a major impact on family life, individuals and business. I want to ask one question, really. You said that there are indications that other banks are helping you. However, those other banks are also in the process of poaching your customers. From what I can see, it is evident that they see this as an opportunity to capitalise on a catastrophe. You say that you do not see any evidence of that now, but I suggest that you wait until your system is fixed, because you will see it then.

The front line service has to be congratulated for what it is doing. Senior management are not coming to the fore and making the situation clear to the public. I congratulate those who stand behind a desk and meet customers face to face. They sometimes get a lot of abuse from customers, who are frustrated. If I were in a similar position, I would be feeling equally frustrated. More and more people are telling me that they will not be putting all their eggs in one basket. How will you work to overcome that and ensure that you regain your customers' confidence? Some of these people are looking for not only compensation but evidence.

Each of us here deals with members of the public daily. I have met businesses that do not bank with the Ulster Bank, but the situation is having a big impact on them. One gentleman was told that a transfer had been sent on 26 June and that he should have received it. That man is now overdrawn at his own bank simply because he paid bills on the back of money that was to have come in. He has been put virtually to the wall. He says that if this drags on for longer than another week, his business will no longer exist, not because his business is not good but because the bank has not honoured the money that was paid. He has proof that the money was there for him, but he has not got it. It is showing as uncleared effects on his account. So, until that is cleared, he cannot even draw against it. That is a big difficulty, and it is putting him and his family in a very stressful position. What are you doing to bring back confidence to those customers, because, until now, they have been given no confidence but one date after another, none of which have been met?

Mr J Brown: If you have a specific example of a customer who is not getting the support that they need, I ask that you get them to contact us, or we will contact them, to sort it out. As we said, a lot of processes are in place to work round and to help customers in such situations. The key for me is to make sure that we minimise the impact on our customers, and other banks' customers, once we have sorted out the bigger issue, which is what our focus has been on.

The key thing to do to restore the bank's reputation is to get our service back to normal as quickly as possible. That is the number one priority for us: to get the systems up and running, clear the backlog and get service back to what it has been during the past 176 years, not just to our customers but to the community. We have a lot of work to do after this to get that back, but you have my commitment, as well as that of the RBS and the Ulster Bank, to do that. We have been a viable force in Northern Ireland for all of those 176 years, and I want to make sure that we see that that is the case for at least the next 176 years as well.

Mr Girvan: The banks, particularly RBS, are predominantly publicly owned. I think that 83% of the bank has been funded by the public. We have previously encountered the bank's lack of flexibility with its customers, some of whom needed just a little window to see their way through what was a very difficult time. Yet, the bank showed absolutely no leniency in a number of cases — none at all, no mercy. You are expecting customers to give you that leniency and gratitude. I can tell you that I do not think that you will get it.

Mr J Brown: We will do our best to get our service back to normal as quickly as we can. As I mentioned, we have a lot of work to do to restore the situation. Again, as I said, if you know of individual customers of any type and with any issues, please let us know. We will see what we can do to work through those issues.

The Deputy Chairperson: Thanks Paul. I remind members that we are running 15 minutes late, so I encourage members to be as brief as they can. The representatives from Ulster Bank have to go to other engagements.

Mr Beggs: You said that you still have five days of back processing to do. I should put on record my thanks to your front line staff. You have put them in an impossible situation, and I thank them for the way in which they are trying to deal with it.

A constituent of mine contacted me yesterday evening. He is a pensioner, and he was trying to transfer funds to make sure that his mortgage payment went through. There was no visibility, and it was not possible for him to do that. A businessman e-mailed me this morning. He lodged — sorry, placed — some cheques with you on 11 June, some of which have still not cleared. When will there be online visibility so that people can see the progress that you say is happening? That will give them some reassurance that, as of such and such a date, their accounts should, at least, be accurate. Reassurance is a huge issue, and people do not have it at present.

How can the Ulster Bank be credible as a bank if it operates on some fragmented computer system that means that it comes third in the line? How can you be credible with your customers going forward? How will you address that?

Mr J Brown: I will take the question about the computer systems, and I will then hand over to Mr Cruise to talk about some of the specific customer issues. One of the clear things that will have to come out of the review is the exact way that the architecture of the systems should be set up and/or run going forward. Clearly, we have had a significant impact on the business as a consequence of the way that the systems are set up. It is probably too early to jump to any conclusions — at least from my perspective — until that review has been undertaken. The review will work out the cause of the issue and why the contingencies did not work as they should have. That definitely has to be part of the review.

Mr Cruise: I am very interested in the example that you gave about the customer who deposited cheques on 11 June. That is outside the time frame of this incident; I can tell you that categorically.

I have many examples of us having assisted those who are vulnerable. However, we possibly have not got to everyone. Please get your constituents to phone their local branches. We will phone them back, and we can get taxis to either bring staff out to visit the customers or to get them to the branch. We have that process in place. It is well documented, and it was communicated to each of our 90 branches. We are very keen not to miss out on the opportunity to help anyone who is in need, particularly those who are in vulnerable situations.

Mr Beggs: Finally, this has come at a huge cost to many individuals who have suffered throughout the process. It has also been of huge cost to many businesses, even to those that are related peripherally and that may not be your customers directly. They have been caught up in all this. It has also come at huge cost to your organisation, given the associated extra efforts in man hours and costs. Given all those costs, how can any member of senior management in your organisation who failed to adopt appropriate risk management policies take a bonus?

Mr J Brown: I think that we need to wait until the review has been completed to see what the issues were and why the systems and backups did not work. That is the key next milestone for us, once we get through the initial issue of clearing the backlog.

Mr Frew: Thank you, Deputy Chair. I have listened patiently to all the questions and answers. One thing is clear: this is a very serious issue. It is not simply about cash flow any more. Cash flow was enough to put businesses' lights out. I have travelled about over the past couple of days, and I have spoken to people in the retail sector, in the service industries and in construction companies. They are not necessarily Ulster Bank customers. However, the failure to pay people and to commit funds to various organisations means that they are very close to going into administration and going under. This is a very, very serious issue, for not only the bank but the wider economy of Northern Ireland. I listened to your assurances that you are trying to get to the bottom of the problem and that you will have to do a thorough investigation into what happened and what went wrong.

Again, I acknowledge that hindsight is a wonderful thing. However, a decision was taken at one point to integrate all parts of the group into one centralised system in Edinburgh. When was that decision made, and when did that integration take place?

Mr J Brown: I could not tell you the exact date; it was before my time. Do you have any idea, Stephen?

Mr Cruise: I think that it was about six years ago.

Mr Sullivan: The Ulster Bank system for batch processing was introduced into RBS/NatWest in 2006.

Mr Frew: That centralisation led to a large number of redundancies of highly trained IT staff. Is that not correct?

Mr Sullivan: None of us was working in the IT arena at that particular point, so we would not know.

Mr Frew: Will that form part of the investigation, in that case? Should you decentralise the system again so that Ulster Bank could stand alone if something were to fail in RBS or NatWest? If that were the case, it might go some way to reassure the public that this would not happen again. That is not to say that the Ulster Bank's decentralised system could not fail, but that might be easier to resolve. I do not know. Is that in your thought processes at this moment?

Mr Sullivan: The key issue is that the investigation needs to look at all those aspects and to come up with recommendations. Once those recommendations are considered, reviewed by us and by, of course, the regulators, we will need to take the appropriate actions to ensure that this kind of situation cannot occur again.

I remind you that Ulster Bank is a wholly owned subsidiary of the Royal Bank of Scotland. In some of the most difficult economic circumstances ever, the Royal Bank of Scotland's commitment has provided £13 billion of capital investment to keep Ulster Bank running effectively in Ireland. We believe in Ireland, we believe in Ulster Bank, and we believe in Ulster Bank in Ireland.

Mr Frew: I am sure that Ulster Bank is grateful for that, but now that this mistake has been made, we seem to be last in the queue. It is very hard for your customer base and the people who we represent to take that.

Mr Sullivan: I understand that absolutely. It is true that, in the way that this particular process is put in place, Ulster Bank comes after NatWest. However, that is entirely because of the way that the systems have been logically built. There is no prioritisation whatsoever in any of those issues. If it were done along the lines of size or something similar, naturally, we would put NatWest in front of the Royal Bank of Scotland. However, that does not happen, because Royal Bank of Scotland was the original system. So, I categorically assure the Committee that Ulster Bank is not in third place, third in the queue or anything along those lines in any sense, other than the logical one of this particular system.

The Deputy Chairperson: Gentlemen, I appreciate that we have run considerably over time, but I have one very short question for you. In one of the media interviews this morning, a comment was made that all direct debit payments will be made. Can I just check: does that mean that all attempts to take a direct debit out of a bank account will be paid, or is it all direct debits where there is sufficient money in the bank?

Mr Cruise: What happens with the direct debit system is that the originator sends the file. So, the statement that we have made is that we have not unpaid any direct debits. That means that some are still frozen, and, as each batch comes off each day, they become visible. I was challenged on a radio programme this week about that, and I was trying to explain it further. It is worth taking a minute to understand it. For example, with direct debits for rates to Land and Property Services (LPS), it was thought, by somebody, that payments would not be made. However, the file was sent to the original clearing house, and the customer was credited. Therefore, all the payments of individual customers were made on their behalf, so the direct debit was paid. Ulster Bank customers will not see that that has been paid until the date that it was sent — 29 June — becomes visible. However, it has been paid on their behalf.

The Deputy Chairperson: If the money is not in the bank to cover that, however, it will leave consumers with debt that they will have to try to pay back, which will cause problems. There is also a risk that some people who have access to direct debit originator codes could unlawfully and unethically attempt to take money out of Ulster Bank consumers' accounts. Is that something that you have prepared for mitigated?

Mr Cruise: The BACS system is regulated across the four banks. Mr Sullivan is probably more conscious of how that works, but I am absolutely certain that that cannot be hacked into.

Mrs Overend: I have just one last thought. What effect do you think that this will have on jobs in the Ulster Bank? The employees are the people who have been on the front line, giving a lot of the help and taking a lot of the flak. How do you feel this whole situation will affect jobs in the bank?

Mr J Brown: We announced a redundancy programme earlier in the year, which means that we are looking at reducing a number of jobs in Northern Ireland as well as in the Republic of Ireland. Based on where we are right now we clearly need to revisit that. The key issue is to get through the backlogs as quickly as possible, restore the service levels and take it from there. It is too early to say where we will be. We just have to get through the crisis first.

Mrs Overend: I am sure that the staff will be worried. If the Ulster Bank is going to suffer a loss of customers, that could have a knock-on effect on the safety of their jobs.

Mr J Brown: Our job is to get the bank back to the level of service that it has provided for the past 176 years as quickly as possible and to restore our customers' confidence as quickly as we can so that we do not have customers leaving the bank. As soon as we get through the transaction backlog, that will be my number one priority.

Mr Newton: For the sake of clarity, I can confirm that a request was made to come in by the West Door. That was turned down by security.

Mr Cruise: It is possible that that was my fault. I have come up here before with Sir Philip Hampton, and that was the door through which we went. I was walking up from the security hut with Mr Brown and took him to that door. So, if that was a mistake on my part, I apologise.

The Deputy Chairperson: Thank you for that.

This meeting has involved two Committees. The situation that we are dealing with is fluid, so there might come a time where we want to engage with Ulster Bank representatives again. Would you be more than happy to come before the Committees again?

Mr J Brown: Yes, we would.

The Deputy Chairperson: Thanks very much for your time. We have kept you later than we should have, and I apologise for that, but this was an important engagement, so thanks again.