

Quick update 7th July (where did this year go!).

Two initiatives we've been asked to pass on to members. One is the following letter prepared by people at the New Economics Foundation <http://www.neweconomics.org/pages/what-we-do>. The letter is quite self explanatory and as always, we invite all members to make their own decision on signing this or not. While I am sure some SME Alliance members do think there should be a more socially beneficial plan for the disposal of RBS shares, as an organisation it's just our job to let members know about these initiatives, not how to respond to them! Having said that @NEF are a great organisation doing some sterling work so if you do want to add your name to this initiative, please email: Christine.Berry@neweconomics.org the letter is posted at the bottom of this update.

Similarly some people will be aware of another initiative from Insolvency Costs and CCP Research Foundation. Heather Buchanan, the principle of the project has asked that we circulate a questionnaire which is attempting to collate information on banks, IPs, Insolvency and the effects of SMEs going into administration or liquidation – and whether they are being unreasonably pushed into these situations by banks. A subject that many members will know all about.

Here is the questionnaire: <https://www.surveymonkey.com/r/insolvencycosts>

I would just point out two things – first, the document makes it very clear your information could be published and put in the public domain. Not a good idea if you are involved in or intending to start legal proceedings. Or even if you don't want a bank or insolvency firms knowing your private details. If this is the case and you decide to fill out the questionnaire, please make sure you tick the box which says your details will be kept confidential. Secondly, I know Alison Loveday and Bergs solicitors have kindly volunteered to dedicate time to helping with this project. With no slight intended to Bergs, I was still keep to get confirmation from Heather that neither Bergs nor any other legal or accountancy firm will be using the information they receive to their personal advantage or to solicit work. Heather has assured me the information they receive will be solely to produce a valid report on the subject of insolvency.

Again, SME Alliance is just passing this information on and it is up to every member to decide whether or not to participate.

I hope to have information about our next meeting in the next 10 days. Hope everyone is enjoying the summer (which, looking out of the office window, appears to have gone on holiday!).

Best wishes

Nikki



NEWSLETTER

08/07/2015

Letter from New Economic Foundation.

[Long version \(direct letter to George Osborne\)](#)

Dear Chancellor,

We are writing to express our concern at the recently announced decision to begin selling the government's stake in the Royal Bank of Scotland, and to ask that you conduct a full review of all the options for the bank's future, including the potential impacts on SMEs, before beginning any share sale.

Whether it is the Global Restructuring Group deliberately pushing businesses towards insolvency, the illegal sale of interest rate swaps, or mistreatment of small businesses under the Enterprise Finance Guarantee Scheme, RBS has become notorious for preying on SMEs rather than supporting them. Many of us have experienced this conduct first-hand, and we have little confidence that the bank's behaviour will change without fundamental reform. It is already well established that RBS, even under predominantly public ownership, has demonstrated ruthless conduct with regard to SMEs and it seems entirely possible or even probable that this would be even more avaricious without any Government or social constraint. We would like this concern to be put on the record.

As pointed out by the Tomlinson Report on Banks' Lending Practices, RBS's large market share in SME lending creates inherent conflicts of interest as well as inhibiting effective competition. The report concluded that "returning RBS and Lloyds to full private sector ownership in their current form would be a return to the banking landscape of 2003, possibly with even less competition", and recommended that the bank should be split up into a number of separate challenger banks before being privatised.

The Parliamentary Commission on Banking Standards also recommended that "government should examine and report to Parliament on the scope for disposing of any RBS good bank as multiple entities rather than one large bank, to support the emergence of a more diverse and competitive retail banking market." Numerous think tanks, including Civitas, Respublica and the New Economics Foundation, have published proposals for reforming RBS to better serve the real economy, for example through the creation of a network of local banks with a mandate to support SMEs in their area.

Given these repeated recommendations, we find it difficult to understand why the government has chosen to press ahead with returning an unreformed RBS to the private sector, without any assessment of the costs and benefits of the alternatives. We call on the government to demonstrate its commitment to supporting SMEs by conducting a full review of all the options for RBS' future.

The public stake in RBS – acquired as a direct result of the bank's past misdemeanours – gives us a unique opportunity to address the root causes of misconduct towards SMEs and create new banking institutions that will genuinely put the interests of SME customers first. It is not too late for the government to ensure that this opportunity is not wasted.

We would welcome the chance to meet with you and discuss this matter in more detail.

Yours sincerely,



NEWSLETTER

08/07/2015

Short version (for media)

We are deeply concerned by the government's decision to begin selling its stake in the Royal Bank of Scotland without reform. Even under predominantly public ownership, RBS has demonstrated ruthless conduct with regard to SMEs, and it seems probable that this unethical conduct would be even more avaricious without any Government or social constraint. Like the Tomlinson Report and the Parliamentary Commission on Banking Standards, we believe that RBS is simply too powerful in relation to its SME customers. The public stake gives us a unique opportunity to address the root causes of misconduct – whether by breaking RBS up into a series of challenger banks, or transforming it into a network of local banks with a public interest mandate. It is not too late to ensure this opportunity is not wasted. We call on the government to demonstrate its commitment to supporting SMEs by conducting a full review of all the options for RBS' future before commencing any share sale.

Don't forget, if you would like to add your signature to this please e-mail :

Christine.Berry@neweconomics.org