Ulster Bank is alleged to have secretly lodged potentially enormous liabilities against small business customers

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Fraud claim levelled against NatWest over Northern Ireland loans

James Hurley

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NatWest has been accused by one of its former executives of “covering up” an alleged accounting “fraud” said to have resulted in business customers being forced into its notorious Global Restructuring Group.

Ian Tyler, former group head of capital at Royal Bank of Scotland, claims the lender’s Ulster Bank subsidiary secretly lodged potentially enormous liabilities against small business broke the contracts and moved borrowers into GRG, Tyler alleges.

His claims have led to renewed calls for an inquiry into the role played by the Financial Conduct Authority. The City regulator indicated that it was considering Tyler's allegations.

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The undisclosed debts are alleged to have resulted in companies being pressured to sell off assets; to have prevented their move to rival lenders; and ultimately to have caused them to be transferred into GRG, a restructuring unit found to have systematically mistreated thousands of companies.

Ian Paisley Jr, the Democratic Unionist Party MP for North Antrim, called for the Treasury to intervene amid concerns that the FCA failed to act on reports that "illegal" lending practices had damaged livelihoods in Northern Ireland. He is among a cross-party group of MPs calling for an inquiry into why these borrowers were excluded from a £2.2 billion redress scheme that the watchdog conducted.

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"Northern Ireland businesses have been left hanging," Paisley claimed in a letter to Jeremy Hunt, the chancellor. He told The Times: "I have constituents who under this scam have lost their entire pension investments and other businesses."

The alleged wrongdoing relates to fixed-rate loans sold to small and medium-sized businesses before and during the global financial crisis.

The loans allegedly came with undisclosed financial derivatives — and related liabilities that customers were not informed about — that Tyler claimswere sold to make quick profits for the bank but were incorrectly accounted for.

NatWest indicated that references to derivatives, or "swaps", in "poorly drafted" financial documentation were in error and that it had not in fact lodged such liabilities against customers.

A spokesman for the bank said: "We entirely reject all allegations that Ulster Bank engaged in criminal fraud in relation to the sale of fixed rate loans."

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NatWest indicated that it had corresponded with the FCA about the issue but felt it was not under formal investigation.

IanTyler, a former banking executive, claims Ulster Bank secretly lodged enormous liabilities against small business customers

SIMON JACOBS FOR THE TIMES

The bank refused to answer a series of questions about the loans, including how many it had sold or why documents reviewed by The Times appear to show that undisclosed swap-related debts were lodged against customers' accounts.

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RBS, now called NatWest, is alleged to have broken the contracts in question in and around 2011 without explanation, adding further liabilities to the borrowers' accounts and precipitating their movement into GRG. Tyler alleged this amounted to an attempt to "cover up" the hidden derivatives.

Tyler, who has more than 36 years of financial experience and is an expert in interest rate derivatives, was among a group that reported their concerns about the alleged scandal to the FCA last year. He said he was speaking out over concerns that the FCA is failing to act on the allegations.

John McDonnell, the former shadow chancellor, said: "There is an obvious need for a full independent inquiry into what is emerging as a scandal which has had a considerable impact on the lives of so many people. The aim will be to seek a debate in parliament to prompt action from government to secure an inquiry."

The Treasury said those affected should contact the FCA.

The FCA declined to comment.

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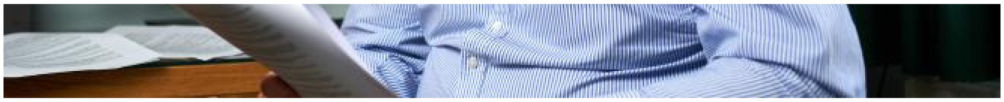

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