SHREDDED

INSIDE RBS

THE BANK THAT BROKE BRITAIN

IAN FRASER

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Inside RBS, the Bank that Broke Britain

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This eBook edition published in 2014 by
Birlinn Limited
West Newington House
Newington Road
Edinburgh
EH9 1QS

www.birlinn.co.uk

ISBN: 978 1 78027 138 5
eBook ISBN: 978 0 85790 623 6

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

To Gail, Eleanor, John and Flora

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‘Incomparably the handsomest townhouse we ever saw’: the Palladian villa at 36 St Andrew Square, built as a residence for Sir Lawrence Dundas in 1774, was Royal Bank of Scotland’s head office from 1828 until 1969. The statue, erected in 1833, commemorates former RBS governor and war hero, Sir John Hope, 4th Earl of Hopetoun. (Royal Bank of Scotland)

RBS chief executive Fred Goodwin was mocked by the Sunday Times *over the construction of RBS’s sprawling ‘world headquarters’ at Gogarburn, near Edinburgh. The complex can house 3,250 staff, cost £350 million and was completed ahead of schedule.* (© RCAHMS. Licensor www.scran.ac.uk)

Goodwin speaking at an anti-fraud conference in Beijing on 2 November 2006. He became a regular visitor to China after RBS bought a 5.16 per cent stake in Bank of China, which gave him a seat on its board. (Press Association)

United against NatWest: Santander and RBS directors unveil RBS's £26.4 billion takeover offer for NatWest. Clockwise from left: Bob Scott, Fred Goodwin, George Mathewson, Emilio Botín, George Younger and José María Amusátegui. (PA)

World domination: (left to right) Fred Watt, George Mathewson, George Younger and Fred Goodwi in the bank's Waterhouse Square London HQ in early March 2001. Unveiling a 31 per cent rise in profits to £4.4 billion, Goodwin said he was not averse to 'mercy killings' of other financial players (PA)

NatWest bounce: RBS chairman Sir George Mathewson, finance director Fred Watt and chief executive Fred Goodwin are upbeat as they unveil record pre-tax profits of £6.45 billion for the yea to December 2002. (PA)

The enemy: Barclays' chief executive John Varley moved the English bank's headquarters from the City of London to a 32-storey tower in Canary Wharf in May 2005. He quietly entered talks with AB AMRO's boss Rijkman Groenink about a merger between their two banks the following year. (PA)

At a packed press conference in the Edinburgh International Conference Centre on 25 April 2007, European banking's 'three amigos' – Fortis's Jean-Paul Votron, RBS's Goodwin and Santander's Emilio Botín – unveil plans for a bold, three-way counter bid for ABN AMRO. (PA)

Rijkman Groenink of ABN AMRO is interrupted by photographers on his way to an Amsterdam courtroom on 2 August 2007. He was defending a claim from Dutch shareholders' group VEB who were seeking a probe into alleged mismanagement at ABN AMRO. (PA)

No real contrition: Sir Tom McKillop gives evidence to the Treasury committee in Portcullis House o 10 February 2009, a week after being dumped as RBS's chairman. McKillop admitted the ABN AMR deal had been a 'bad mistake'. (PA)

McKillop and Fred Goodwin leave a session of the Treasury committee on 10 February 2009. Askec about their role in the collapse of RBS, they effectively said, ‘We’re sorry, but we’re not to blame’. (PA)

Two months after being parachuted in as RBS chairman, Sir Philip Hampton is driven away from the bank’s annual general meeting in Edinburgh on 3 April 2009. At the meeting, Hampton called for th ‘public flogging’ of RBS to stop. (PA)

At a meeting of G20 finance ministers in London on 5 September 2009, Prime Minister Gordon Brow knocked back proposals from French president Nicolas Sarkozy and German chancellor Angela Merkel to cap bankers' bonuses. He was accompanied by Chancellor Alistair Darling and Bank of England governor Mervyn King. (PA)

Speaking at a session of the Treasury committee in June 2011, RBS chief executive Stephen Hester expresses deep scepticism about plans for a 'ring fence' separating banks' investment banking and retail banking arms. The idea was proposed in an interim report of the Independent Commission on Banking. (PA)

Last of the ‘big swinging dicks’: Bob Diamond is mobbed by protestors as he emerges from Portculli House after being grilled by the Treasury committee on 4 July 2012. MPs were incredulous when Diamond, who was fired as Barclays CEO the previous day, denied any knowledge of LIBOR riggin (PA)

New Zealander Ross McEwan, who became RBS’s CEO on 2 October 2013, is determined to make i the ‘most trusted bank in the UK’. McEwan, who earlier spent a year running RBS’s retail arm and previously worked for Commonwealth Bank of Australia, may have his work cut out. (Royal Bank o Scotland)

Acknowledgements

Shredded is the product of one-to-one interviews with about 120 current and former employees of t Royal Bank of Scotland and related companies. Most, but not all, had left the bank by the time interviewed them. In the face of a system of corporate secrecy, underpinned by non-disclosu agreements and a fear of retribution, all but a handful preferred to remain anonymous. Many of t people I interviewed have been severely impoverished as a result of the bank's collapse, given th number of shares they had accumulated over the years. Some have been psychologically scarred.

I am also grateful to numerous former senior advisors to the bank – including investment banke accountants and consultants – institutional investors in the bank, former chief executives of rival ban senior politicians, regulators, financial journalists and corporate 'victims' of the bank. In most cas they too preferred to remain anonymous. I would like to offer special thanks to RBS's former ch executive and former chairman, Sir George Mathewson, who agreed to be interviewed on seve occasions and provided me with all his speeches and a selection of related correspondence ranging fro 1987 to 2006. Others who were willing to speak on the record for the purposes of this book includ Mathewson's former colleague Iain Robertson, who was with the bank from 1992 until March 20 and was latterly non-executive chairman of its corporate banking and financial markets division; t former chairman of the management board of ABN AMRO, Rijkman Groenink; Killian Wawoe, former human resources head at ABN; the former UK regulator and author of the March 2000 rep 'A Review of Banking Services in the UK', Don Cruickshank; Simon Samuels, head of European ban research at Barclays; and the Edinburgh-based financier Peter de Vink.

In terms of direct assistance with the research and writing of this book, I am indebted to Jamie Ma and Frances Coppola who helped me to write specific chapters, as well as to Professor Stewa Hamilton, Richard Smith, Mike Parker, Colin Donald, Michael Campbell, Michael Moss and Ni Kochan who reviewed various chapters, provided moral support and made some valuable suggestio for improvement. Other writers and journalists who have provided insights and assistance inclu Shanny Basar, Chris Baur, Iain Dey, Simon English, Sean Farrell, Daniel Gross, Marc Hochstei Patrick Hosking, Bill Jamieson, Kenny Kemp, Peter Thal Larsen, Joris Luyendijk, Richard C. Morai Ray Perman, Nils Pratley, David Rothnie, Jeroen Smit, Yves Smith, David Torrance, Steven Vass, Siddharth Verma, Harry Wilson, William Wright and Alf Young. The team at Birlinn – Hugh Andre Andrew Simmons and Tom Johnstone – have been incredibly supportive throughout and Patric Marshall has been meticulous in her copy-editing. Finally, I'd like to thank my daughter Eleanor for he sterling work transcribing some of the interviews.

All unattributed quotes come from people, including ex-Royal Bank of Scotland insiders, who wish to remain anonymous.

Any errors are, of course, my own.

Introduction

When I was reporting on the Royal Bank of Scotland for newspapers including the Sunday Herald ar The Sunday Times from 1999 to 2008, I always felt there was something not quite right about th place. It was a company that didn't actually make anything but which had a 'manufacturing' division. trumpeted its environmental credentials, yet funded some environmentally disastrous activities. presented its Private Finance Initiative projects as socially responsible, even though most were a rip-o for taxpayers. It employed at least 70 in-house media relations staff, yet rarely told journalists anythin It had a 'dignity at work' policy, yet treated many of its staff abysmally. It claimed that its marketing wa responsible, but sent a pre-approved £10,000 credit card to a dog named Monty. It claimed to trea customers who were having trouble repaying their debts fairly and responsibly, but it hounded some o them to within an inch of their lives. Its CEO Fred Goodwin was lionised in the media and by analys and showered with awards, although he was a sociopathic bully whose achievements had bee massively over-hyped.

Most striking of all was RBS's market value. At times, this seemed to be detached from reality. On th way up, the bank used to boast that, by market capitalisation, it was worth more than Coca-Cola an more than Sony and Apple combined. In April 2007, its market value reached £64 billion – more tha all the other listed companies in Scotland put together and about 4.6 per cent of the FTSE-100. persistent triumphalism and the greed of its top brass grated with me. And yet, as a Scot living mainly Edinburgh, part of me was proud to have a seemingly successful global giant on my doorstep. So man other Scottish firms had succumbed to takeover. At least here was one that was bucking the tren acquiring overseas firms, building a global brand and creating jobs locally.

But RBS is a case study in how not to manage and regulate a bank. Soon after Fred Goodwin becam the chief executive on 6 March 2000, things started to go seriously awry. And the most serious proble was foolhardy and excessive lending. For several years, the problems were masked by the gains tha came with the acquisition of National Westminster Bank. Sir Philip Hampton, who took over chairman in February 2009, explained the nature of problem when speaking to the CBI conference 4 November 2013. Hampton said, 'We were lending to anyone with a pulse . . . We were taking o clients that other banks were rejecting.'[1] Speaking to the Scottish Parliament in November 200 Stephen Hester, Goodwin's successor, said, 'RBS was the poster child of excess in the banking industr That is why we are all having to pick up the pieces.'[2]

There were some shocking governance failures, including that the board was so in awe of Goodw they let him run the bank as a personal fiefdom, but with some dangerous cult-like characteristics (least until their somewhat half-hearted attempt to rein him in in June 2005). Institutional shareholde also have a lot to answer for. Having backed Fred Goodwin in the NatWest takeover battle, they egge him on over the next two or three years and 94.5 per cent of them voted in favour of the disastro ABN AMRO takeover. And, where regulation and banking supervision are concerned, the RBS saga extraordinary. Why, for example, did the Labour governments of Tony Blair and Gordon Brown allo the bank to grow to a scale that far exceeded anyone's ability to manage it? Why was the bank allowe to leverage itself 70 times, putting itself and the wider UK economy at risk? Why did the Blair a Brown governments invariably side with the bank in its disputes with the regulator, hobbling the FSA ability to regulate it? Why has nobody been properly held to account for its collapse? I try to answ these questions in the book.

A lot of people are astonished that no one has been prosecuted for destroying RBS. And there is t view that, if the UK state had been so minded, it could readily have prosecuted a number of R executives for alleged crimes including fraud, conspiracy to defraud, fraudulent trading, false accounti and regulatory offences under the Companies Act 2006.

Unfortunately, however, prosecuting high-level financial crimes is notoriously difficult, especially hard evidence like emails and secret recordings are not available. Another reason is that, unli countries like Iceland and Nigeria, the UK doesn't have much appetite for the prosecution mainstream bankers. So what we have had instead is diversionary tactics, faux outrage and politic bluster.

The damage caused by RBS's collapse and the wider banking crisis have, in terms of human sufferin been immense. Unemployment is still at nearly 7 per cent of the workforce, or 2.24 million. Real wag have fallen more sharply than in other member of the OECD group of 34countries, and they still face long climb back if they are return to the levels seen before the bank's collapse.

As Cambridge economist Ha-Joon Chang says: 'Steep cuts in welfare spending have hit many of t poorest hard. Increasing job insecurity, symbolised by the rise of zero-hours contracts, has been makin workers' lives more stressful. The spread of food banks, the popularity of "poverty recipes" in cooke and the advance of German discount supermarket chains, such as Aldi and Lidl, are the more visi manifestations of this pressure on the living standards of citizens.'[3]

Interest rates have been stuck at 0.5 per cent since March 2009. Coupled with 'quantitative easin this has created a nightmare scenario for many pensioners and savers, while also weakening sterlin which plunged to a low of £1.38 against the United States dollar that year. Despite the pain a suffering they have caused at home, the United Kingdom's austerity policies were not enough dissuade credit rating agencies Moody's and Fitch from stripping the country's AAA status in 201 which has pushed up the cost of borrowing.

Despite a superficial restructure, RBS's bad debts and massive future litigation liabilities continue hang over the recovery. The shrinkage that occurred under Stephen Hester was impressive but it cam at a huge cost in terms of the destruction of whole swathes of the UK's small and medium-si enterprise base and it failed to resolve the crisis at the bank because it was not accompanied by cultu change.

If there's one lesson to be learned from the financial crisis, it is that gigantic, world-straddli 'universal' banks like RBS became under Fred Goodwin make little or no economic sense. Rather tha helping the broader economy, they tend to exploit implicit government subsidies in order to 'rent seek with their main raison d'être being to enrich their own management. Not only are they too big to fa they are also too big to manage, too big to regulate and too big to prosecute.

The only viable long-term solution for such financial behemoths is to break them up into mo manageable chunks. That way, they are more likely to focus on serving the needs of the real econo in the geographies on which they focus and less likely to prioritise negative behaviour like rent seeki and empire building. (Rent seeking is what happens when a company uses its resources to obtain economic gain or 'rent' from others but fails to give any reciprocal benefits back to society throu wealth creation.) Smaller banks find it difficult to hold a gun to the government's head over the r regulation of the banking sector or to hold the government to ransom should they get into difficulties.

RBS has shrunk considerably since the crisis, offloading Direct Line, Williams & Glyn's, RB Aviation, Sempra Commodities, big chunks of the investment bank now called markets a

international banking and the bulk of its international operations. But, with total assests of £1.0
trill~~ion, equivalent to 64 per cent of the UK's gross domestic product, the bank still has not~~ shru
enough.

Ian Fras
April 20

1

The battle Royal

The Royal Bank of Scotland owes its origins to the collapse of another failed international busin venture that was built on hubris, self-delusion and inadequate planning. Between 1695 and 1700, am unprecedented Anglophobia and patriotic fervour, the Scots piled one quarter of their national weal into the shares of the Company of Scotland. The corporation was founded in 1695 by William Paterso a Dumfries-born visionary financier who also founded the Bank of England, in order to prom Scottish international trade and challenge the might of the London-based East India Company. T Company of Scotland secured the rights to establish a colony, Scotland's first, in Panama and i promoters insisted that business would be brisk and offer them spectacular financial returns on the ba of burgeoning international trade. Scottish investors became intoxicated. The company became one the biggest speculative and delusional bubbles in financial history. The project was under-research and poorly planned. The Company of Scotland failed to appreciate that the Panamanian coast was inhospitable, malaria-ridden swamp. It failed to foresee strong Spanish and English hostility towards th project, which would lead these powers to seek to scupper it using dirty tricks, diplomacy and forc After just two years, the so-called Darien Scheme lay in tatters. Of the 3,700 settlers and crew w sailed to 'New Caledonia', 3,000 lay dead and 11 of the 14 ships that had been commissioned by t Company had been sunk or lost.

Some £153,000 sterling, nearly a quarter of Scotland's liquid capital, had gone up in smoke. T warm embrace of political union with England, sweetened by financial compensation for the compan backers, began to have some appeal. In 1707, after many centuries of discord and mutual distru Scotland and England signed the Treaty of Union. And article XV – known as 'The Equivalent' – the treaty was the kernel that, eventually, gave rise to the Royal Bank of Scotland. In the Article X England agreed to pay Scotland a very large sum of money, which was ostensibly to compensa Scotland for taking on a share of England's national debt. In the end, however, the sum of £398,0 and 10 shillings sterling (worth some £44 million today) was extended to the Scots (mainly members Scotland's upper middle classes and aristocracy) who had lost their shirts in Darien. Whether it w overt bribery is open to debate but Scotland's national poet, Robert Burns, certainly thought it was. 1791, he wrote that the Scottish people had been:

> bought and sold for English gold –
> Such a parcel of rogues in a nation.

Many of those who received compensation under the Equivalent, known as debenture holde formed the Equivalent Society to pool their compensation payments and distribute dividends. In 172 this became the Equivalent Company, founded by Royal Charter. Soon afterwards, a group of i shareholders, led by the Duke of Argyll, a staunch anti-Jacobite who was one of Scotland's m powerful men at the time, decided the Equivalent Company should branch out into banking. The Ban of Scotland had been established in 1695 and still had a monopoly of banking services in Scotland at t time. But it was seen as suspect by Scotland's Whig establishment as not only had it rebuffed a merg proposal from the Equivalent Company, it was also widely seen as having Jacobite leanings, which, t many Whigs, was little short of treasonous. The Jacobites favoured the restoration of a Stuart King

James Francis Edward Stuart ('The Old Pretender') – to the thrones of England, Scotland and Irelan James~~, the only son of the deposed James II and Mary of Modena, was brought up as a Cat~~holic exile, at the chateau of Saint-Germain-en-Laye near Paris. However the Jacobite Rising that the Earl Mar started in his name in 1715 ended in ignominious failure.

In May 1727, the Equivalent Company was instrumental in the foundation of the Royal Bank Scotland – and the main reason it was launched was as a bulwark against Jacobitism. The new ban well capitalised from day one, was established by a Royal Charter approved by the Whig prime ministe Robert Walpole, and the Hanoverian monarch, King George I. In its early years, the 'New Banl operated from a house in Ship Close on Edinburgh's High Street with a staff of just eight and a to authorised share capital of £111,348 sterling. With many of its directors and officers also sitting on t board of the Equivalent Company (which continued to exist), it was right at the heart of Scotlan burgeoning Whig establishment and aimed to back the country's pro-trade and industry entrepreneuri classes. Its first governor was Archibald Campbell, the Earl of Ilay, who later became Duke of Arg and was, at the time, Lord Register of Scotland and Keeper of the Privy Seal. The bank's first depu governor, Sir Hew Dalrymple, was Scotland's most senior judge and many of its inaugural board directors were either Edinburgh lawyers or members of the judiciary (so if there was to be any litigati against it, the bank was likely to have the upper hand!).

For most of the bank's life, its board of directors resembled a roll call of Scotland's 'great and goo For a 130-year stretch between 1838 and 1968, Royal Bank of Scotland had a Duke of Buccleuch ar Queensberry as governor – later chairman, really a titular head. Successive Dukes of Buccleuch a Queensberry – whose family name is Montagu-Douglas-Scott and whose estates at Bowhill, Dalkeit Drumlanrig and Broughton put them among the biggest landowners in Europe – were effectively give the governorship on a hereditary basis, with each succeeding as governor at the time of their fathe death.

One of the Royal Bank of Scotland's earliest goals was to put the Bank of Scotland ('The Old Bar out of business. A number of skulduggerous means were used, including hoarding its rival's banknot However, six years after the defeat of Charles Edward Stuart ('The Young Pretender') at the Battle Culloden in 1746, which ended the Jacobite dream of a Stuart restoration, the feuding banks buried t hatchet. At a clandestine meeting in 1752, they entered a 'non-compete agreement' – really, a cartel which saw them accept each other's banknotes for the first time, agree to defend each other fro outside aggressors and effectively carve up the Scottish market between them. Bank of Scotland agre to steer clear of Glasgow, a city that was on the cusp of a boom for which the Royal Bank of Scotla had high hopes, while RBS agreed to steer clear of the rest of Scotland, giving free rein to the 'C Bank' in the provinces. Under a system called 'Free Banking', which meant there was no central ban or 'lender of last resort' in Scotland, the two leading Scottish banks were to play a critical part in t development of the Scottish economy during the 18th and 19th centuries. The Royal was the mo innovative from an early stage, inventing the overdraft – or 'cash credit' – which enabled truste Scottish merchants to punch above their financial weight. Writing in An Inquiry into the Nature ar Causes of the Wealth of Nations, published in 1776, Adam Smith praised Scotland's banking syster which he said had expanded considerably since 1750 with 'new banking companies in almost eve considerable town'.[1] Smith wrote:

> The business of the country is almost entirely carried on by means of the paper of those differ banking companies . . . Silver very seldom appears except in the change of a twenty shillin banknote, and gold still seldomer. But though the conduct of all those different companies has n

been unexceptionable, and has accordingly required an Act of Parliament to regulate it, the countr ~~notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted, th~~at th trade of the city of Glasgow doubled in about fifteen years after the first erection of the banks the and that the trade of Scotland has more than quadrupled since the first erection of the two pub banks [RBS and Bank of Scotland] at Edinburgh.[2]

In February 1793, seventeen years after Smith published Wealth of Nations and three and half yea after the Storming of the Bastille in Paris, the Royal Bank came close to collapse. News of the outbre of war with Revolutionary France sent jitters around the Scottish economy, fuelling demand for cas and triggering a slowdown in trade. However RBS was unabashed, extending a very large line of cre to one of its Glasgow borrowers. The loan came on the back of lavish, even reckless, lending to Glasgo merchants and manufacturers that had followed the opening of its Glasgow branch in 1783. 'Gene commercial collapse was a very real and terrifying possibility, and the Royal Bank stood right at th sharp end,' say the bank's archives. One of the bank's senior directors travelled to Westminster to ple with the government of Prime Minister William Pitt the Younger for a bailout. Eventually, th government came up with a neat way of salvaging the failing institution. The RBS archives say, 'T proposal to issue Exchequer bills was passed on 29 April and given Royal Assent on 9 May 1793. On May the Royal Bank resolved to apply for £200,000 of Exchequer bills . . . The British economy general, and the Royal Bank of Scotland in particular, had been saved by government intervention.'[3] was not to be the first time.

There was a murkier side to the bailout though. According to American economist Murray Rothbar in its aftermath, Scottish banks including Royal Bank treated their customers high-handedly as th struggled to rebuild their tattered balance sheets. Rothbard says that, in 1797, Scotland's banks followe the Bank of England in suspending 'specie' payments – they stopped honouring requests to exchan banknotes for gold and silver coins on demand, even though the refusal meant they were breaking t law. Rothbard added, 'Before the Scottish banks suspended payment, all Scottish bank offices we crowded with depositors demanding gold and small-note holders demanding silver in payment. Th were treated with contempt and loathing by the bankers, who denounced them as the "lowest and mo ignorant classes" of society, presumably for the high crime of wanting their money out of the shaky a inherently bankrupt banking system.[4]

Rothbard believes the turning of a blind eye to such wrongdoing led bankers to assume they we above the law. But curiously, the banks' ability to unilaterally suspend specie payments – whic Professor Sydney G. Checkland says was never mentioned in public inquiries – also played a major pa in Scottish banking's success.[5] It also meant there were fewer bank failures in Scotland than in oth countries. Rothbard concluded, 'The less-than-noble tradition of nonredeemability in Scottish ban continued, unsurprisingly, after Britain resumed specie payments in 1821.'[6]

In the 1810s, the Royal Bank was losing credibility with its customers. Its directors were accused cliquishness and prioritising their own interests and those of a select band of cronies. The manager the Glasgow branch was found guilty of large-scale fraud, costing the bank £55,000 in bad debts.

In a bid to improve corporate governance and clean up its image, the bank introduced Rules, Orde and Bye-Laws for the Good Government of the Corporation of the Royal Bank of Scotlandon 2 Marc 1819. The sixteen-page document was reprinted and circulated, with little revision, for over a centur It was read out to the board every year, immediately after directors had been elected or re-electe According to the bank's website, the 'important thing about these rules was not so much that they we laid down, but that they were printed and circulated, accessible to anyone with an interest in the bar and ~~its operation . . . [The document] sets out in clear English how the bank will make sure t~~hat i assets are kept safe; that its officers are honest; that its board supervises properly; and that branches a appropriately managed. It dictates rules for granting loans, to make sure that directors cannot bypa proper process in their own interests, and to guarantee that all loans are "transacted in the best ar safest manner for the bank, avoiding all manner of partiality with the borrowers".'[7]

One reason Commercial Bank of Scotland was founded in 1810 was that Scots were so disenchant with the nation's three existing players – Royal Bank of Scotland, Bank of Scotland and British Lin Bank. James Anderson, historian of the Commercial Bank of Scotland, says, 'It was felt by many of t Scottish people that the three old Banks had become too . . . devoted to their own interests . . . to be th real promoters of the general good.[8] (Commercial Bank of Scotland merged with National Bank Scotland in 1958 and with RBS in 1969–70). The onset of greater competition during the Victorian e was a force for good in Scottish banking, which became more accessible and democratic than in ar other country of the world at the time. It was also a time when the bank's shareholders had a stron vested interest in ensuring that its management behaved responsibly. As the Bank of England's And Haldane put it, 'Banking was a low-concentration, low-leverage, high-liquidity business . . . Due t unlimited liability, control rights were exercised by investors whose personal wealth was literally on th line. That generated potent incentives to be prudent with depositors' money.'[9]

After the First World War, the Royal Bank of Scotland's board decided Scotland was over-banked ar embarked on southwards expansion. It didn't help that the Scottish economy was on its knees aft Chancellor of the Exchequer Winston Churchill 'imprisoned industry in a golden cage' by returni Britain to the 'gold standard' in 1925. RBS's chief cashier and general manager, Alexander Ken Wright, acquired four English banks over the next 15 years: Drummond's, which had its origins i Aberdeenshire (1924); Williams Deacon's (1930); and two doyens of private banking – Child & C (1939) and Glyn, Mills & Co (1939).[10] RBS was on a roll. At a banquet to celebrate its bicentenary Edinburgh's North British Hotel on 3 June 1927, self-congratulation was the dish of the day. RB chairman, the Duke of Buccleuch, said:

> The banking system of Scotland [is] probably the greatest and most original work which the practic genius of the Scottish people [has] produced . . . There is no question that Scotland's system banking is one of the country's greatest assets . . . In the peaceful development of the country after t risings of the '15 and '45, the banks, although then in the earliest stage of development, played important part in developing trade and commerce, and thus acted as a civilising and moderatin influence . . . The cash credit system, which as all students of the subject know, was introduced by th Royal Bank so far back as 1728 in itself was an evidence of Scotland's more settled outlook, becau the principle behind it was faith and trust between man and man.[11]

Important guests, including the Bank of England governor Montagu Norman, controller of finance the Treasury Sir Otto Niemeyer, Field Marshal Earl Haig and Brendan Bracken, editor of The Banke also spoke of the bank's many achievements.

However, over the next half decade, Royal Bank of Scotland and, indeed, the whole British bankin sector lost their way. Thanks to the Bretton Woods agreement of 1944 – which tied the value of the U dollar to gold, fixed exchange rates and controlled global capital flows – there was a stable econom backdrop as economies sought to rebuild themselves after the Second World War. But a lack c competition in the banking sector caused banks to become complacent. They increasingly becan