



SHREDDDED

INSIDE RBS

THE BANK THAT BROKE BRITAIN

IAN FRASER



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Inside RBS, the Bank that Broke Britain

Ian Fraser



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To Gail, Eleanor, John and Flora

Contents

[List of Illustrations](#)

[Acknowledgements](#)

[Introduction](#)

- 1 [The battle Royal](#)
- 2 [Mathewson to the rescue](#)
- 3 [Rebuilding the Royal](#)
- 4 [Hanging on the telephone](#)
- 5 [Financial engineering](#)
- 6 [Wings spread](#)
- 7 [George's big ambition](#)
- 8 [The Fred and Johnny show](#)
- 9 [Bagging NatWest](#)
- 10 [Anglo-Scottish blend](#)
- 11 [The wrong kind of growth](#)
- 12 [The fear culture](#)
- 13 [Wall of silence](#)
- 14 [Riding the Tiger](#)
- 15 [Royal Bank of Fred](#)
- 16 [Laird of Gogarburn](#)
- 17 [Enter the pharmacist](#)
- 18 [Fundamentally supine](#)
- 19 [Three pillars of ignorance](#)
- 20 [All-American boy](#)
- 21 [No more deals](#)
- 22 [Failed alchemists](#)
- 23 [Bad leveraged bets](#)
- 24 [I'm a-shattered, shattered!](#)
- 25 [That Border Collie feeling](#)
- 26 [Explosions at ABN](#)
- 27 [Drink the Kool-Aid](#)
- 28 [The crash](#)

29	Death's Head
30	Fred found out
31	Defibrillation and despair
32	False dawn
33	Hester's ledger
34	Et tu, George?
35	McEwan's uncertain remedy
36	The guilty men

[Glossary](#)

[Endnotes](#)

[Bibliography](#)

[Index](#)

List of Illustrations

[RBS's head office at St Andrew Square, 1828 to 1969.](#)

[RBS's 'world headquarters' at Gogarburn, near Edinburgh, 2005 to date.](#)

[Fred Goodwin speaking at an anti-fraud conference in Beijing.](#)

[Santander and RBS directors unveil RBS's £26.4 billion takeover offer for NatWest.](#)

[Fred Watt, Sir George Mathewson, George Younger and Fred Goodwin in RBS's Waterhouse Square London HQ.](#)

[Sir George Mathewson, Fred Watt and Fred Goodwin unveil record pretax profits.](#)

[Barclays chief executive John Varley.](#)

[The 'three amigos' – Fortis's Jean-Paul Votron, RBS's Goodwin and Santander's Emilio Botín – unveil plans for a bid for ABN AMRO.](#)

[Rijkman Groenink of ABN AMRO on his way to an Amsterdam courtroom.](#)

[Sir Tom McKillop gives evidence to the Treasury committee in Portcullis House.](#)

[Sir Tom McKillop and Fred Goodwin leave a session of the Treasury committee.](#)

[Sir Philip Hampton is driven away from RBS's annual general meeting in Edinburgh.](#)

[Gordon Brown, Alistair Darling and Mervyn King at a meeting of G20 finance ministers in London.](#)

[RBS chief executive Stephen Hester speaking at a session of the Treasury committee.](#)

[Bob Diamond emerges from Portcullis House after being grilled by the Treasury committee.](#)

[New Zealander Ross McEwan, who became RBS's CEO.](#)



'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 Goodwin 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 year 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 ABN 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 on 10 February 2009, a week after being dumped as RBS's chairman. McKillop admitted the ABN AMRO deal had been a 'bad mistake'. (PA)



McKillop and Fred Goodwin leave a session of the Treasury committee on 10 February 2009. Asked 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 the 'public flogging' of RBS to stop. (PA)



At a meeting of G20 finance ministers in London on 5 September 2009, Prime Minister Gordon Brown 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 protesters as he emerges from Portcullis 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 rigging.
(PA)



New Zealander Ross McEwan, who became RBS's CEO on 2 October 2013, is determined to make it 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 of Scotland)

Acknowledgements

Shredded is the product of one-to-one interviews with about 120 current and former employees of the Royal Bank of Scotland and related companies. Most, but not all, had left the bank by the time I interviewed them. In the face of a system of corporate secrecy, underpinned by non-disclosure agreements and a fear of retribution, all but a handful preferred to remain anonymous. Many of the people I interviewed have been severely impoverished as a result of the bank's collapse, given the 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 bankers, accountants and consultants – institutional investors in the bank, former chief executives of rival banks, senior politicians, regulators, financial journalists and corporate 'victims' of the bank. In most cases they too preferred to remain anonymous. I would like to offer special thanks to RBS's former chief executive and former chairman, Sir George Mathewson, who agreed to be interviewed on several occasions and provided me with all his speeches and a selection of related correspondence ranging from 1987 to 2006. Others who were willing to speak on the record for the purposes of this book include Mathewson's former colleague Iain Robertson, who was with the bank from 1992 until March 2006 and was latterly non-executive chairman of its corporate banking and financial markets division; the 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 report 'A Review of Banking Services in the UK', Don Cruickshank; Simon Samuels, head of European banking research at Barclays; and the Edinburgh-based financier Peter de Vink.

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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 and The Sunday Times from 1999 to 2008, I always felt there was something not quite right about the 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. It presented its Private Finance Initiative projects as socially responsible, even though most were a rip-off for taxpayers. It employed at least 70 in-house media relations staff, yet rarely told journalists anything. It had a 'dignity at work' policy, yet treated many of its staff abysmally. It claimed that its marketing was responsible, but sent a pre-approved £10,000 credit card to a dog named Monty. It claimed to treat customers who were having trouble repaying their debts fairly and responsibly, but it hounded some of them to within an inch of their lives. Its CEO Fred Goodwin was lionised in the media and by analysts and showered with awards, although he was a sociopathic bully whose achievements had been massively over-hyped.

Most striking of all was RBS's market value. At times, this seemed to be detached from reality. On the way up, the bank used to boast that, by market capitalisation, it was worth more than Coca-Cola and more than Sony and Apple combined. In April 2007, its market value reached £64 billion – more than all the other listed companies in Scotland put together and about 4.6 per cent of the FTSE-100. Its persistent triumphalism and the greed of its top brass grated with me. And yet, as a Scot living mainly in Edinburgh, part of me was proud to have a seemingly successful global giant on my doorstep. So many other Scottish firms had succumbed to takeover. At least here was one that was bucking the trend by 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 became the chief executive on 6 March 2000, things started to go seriously awry. And the most serious problem was foolhardy and excessive lending. For several years, the problems were masked by the gains that came with the acquisition of National Westminster Bank. Sir Philip Hampton, who took over as chairman in February 2009, explained the nature of the problem when speaking to the CBI conference on 4 November 2013. Hampton said, 'We were lending to anyone with a pulse . . . We were taking on clients that other banks were rejecting.'¹ Speaking to the Scottish Parliament in November 2009, Stephen Hester, Goodwin's successor, said, 'RBS was the poster child of excess in the banking industry. 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 Goodwin that they let him run the bank as a personal fiefdom, but with some dangerous cult-like characteristics (at least until their somewhat half-hearted attempt to rein him in in June 2005). Institutional shareholders also have a lot to answer for. Having backed Fred Goodwin in the NatWest takeover battle, they egged him on over the next two or three years and 94.5 per cent of them voted in favour of the disastrous ABN AMRO takeover. And, where regulation and banking supervision are concerned, the RBS saga is extraordinary. Why, for example, did the Labour governments of Tony Blair and Gordon Brown allow the bank to grow to a scale that far exceeded anyone's ability to manage it? Why was the bank allowed to leverage itself 70 times, putting itself and the wider UK economy at risk? Why did the Blair and 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 answer these questions in the book.

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

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

The damage caused by RBS's collapse and the wider banking crisis have, in terms of human suffering, been immense. Unemployment is still at nearly 7 per cent of the workforce, or 2.24 million. Real wages have fallen more sharply than in other member of the OECD group of 34 countries, and they still face a long climb back if they are to 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 the poorest hard. Increasing job insecurity, symbolised by the rise of zero-hours contracts, has been making workers' lives more stressful. The spread of food banks, the popularity of "poverty recipes" in cookbooks and the advance of German discount supermarket chains, such as Aldi and Lidl, are the more visible 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 easing' this has created a nightmare scenario for many pensioners and savers, while also weakening sterling which plunged to a low of £1.38 against the United States dollar that year. Despite the pain and suffering they have caused at home, the United Kingdom's austerity policies were not enough to dissuade credit rating agencies Moody's and Fitch from stripping the country's AAA status in 2011 which has pushed up the cost of borrowing.

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

If there's one lesson to be learned from the financial crisis, it is that gigantic, world-straddling 'universal' banks like RBS became under Fred Goodwin make little or no economic sense. Rather than 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 fail 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 more manageable chunks. That way, they are more likely to focus on serving the needs of the real economy in the geographies on which they focus and less likely to prioritise negative behaviour like rent seeking and empire building. (Rent seeking is what happens when a company uses its resources to obtain an economic gain or 'rent' from others but fails to give any reciprocal benefits back to society through wealth creation.) Smaller banks find it difficult to hold a gun to the government's head over the 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, RBS Aviation, Sempra Commodities, big chunks of the investment bank now called markets and

international banking and the bulk of its international operations. But, with total assets of £1.0 trillion, equivalent to 64 per cent of the UK's gross domestic product, the bank still has not shrunk enough.

Ian Fraser
April 20

The battle Royal

The Royal Bank of Scotland owes its origins to the collapse of another failed international business venture that was built on hubris, self-delusion and inadequate planning. Between 1695 and 1700, amid an unprecedented Anglophobia and patriotic fervour, the Scots piled one quarter of their national wealth into the shares of the Company of Scotland. The corporation was founded in 1695 by William Paterson, a Dumfries-born visionary financier who also founded the Bank of England, in order to promote Scottish international trade and challenge the might of the London-based East India Company. The Company of Scotland secured the rights to establish a colony, Scotland's first, in Panama and its promoters insisted that business would be brisk and offer them spectacular financial returns on the basis of burgeoning international trade. Scottish investors became intoxicated. The company became one of the biggest speculative and delusional bubbles in financial history. The project was under-researched and poorly planned. The Company of Scotland failed to appreciate that the Panamanian coast was an inhospitable, malaria-ridden swamp. It failed to foresee strong Spanish and English hostility towards the project, which would lead these powers to seek to scupper it using dirty tricks, diplomacy and force. After just two years, the so-called Darien Scheme lay in tatters. Of the 3,700 settlers and crew who sailed to 'New Caledonia', 3,000 lay dead and 11 of the 14 ships that had been commissioned by the Company had been sunk or lost.

Some £153,000 sterling, nearly a quarter of Scotland's liquid capital, had gone up in smoke. The warm embrace of political union with England, sweetened by financial compensation for the company's backers, began to have some appeal. In 1707, after many centuries of discord and mutual distrust, 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 XV, England agreed to pay Scotland a very large sum of money, which was ostensibly to compensate Scotland for taking on a share of England's national debt. In the end, however, the sum of £398,000 and 10 shillings sterling (worth some £44 million today) was extended to the Scots (mainly members of Scotland's upper middle classes and aristocracy) who had lost their shirts in Darien. Whether it was overt bribery is open to debate but Scotland's national poet, Robert Burns, certainly thought it was. In 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 holders, formed the Equivalent Society to pool their compensation payments and distribute dividends. In 1720 this became the Equivalent Company, founded by Royal Charter. Soon afterwards, a group of its shareholders, led by the Duke of Argyll, a staunch anti-Jacobite who was one of Scotland's most powerful men at the time, decided the Equivalent Company should branch out into banking. The Bank of Scotland had been established in 1695 and still had a monopoly of banking services in Scotland at the time. But it was seen as suspect by Scotland's Whig establishment as not only had it rebuffed a merger proposal from the Equivalent Company, it was also widely seen as having Jacobite leanings, which, to 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 Ireland. James, the only son of the deposed James II and Mary of Modena, was brought up as a Catholic 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 of Scotland – and the main reason it was launched was as a bulwark against Jacobitism. The new bank, well capitalised from day one, was established by a Royal Charter approved by the Whig prime minister Robert Walpole, and the Hanoverian monarch, King George I. In its early years, the 'New Bank' operated from a house in Ship Close on Edinburgh's High Street with a staff of just eight and a total authorised share capital of £111,348 sterling. With many of its directors and officers also sitting on the board of the Equivalent Company (which continued to exist), it was right at the heart of Scotland's burgeoning Whig establishment and aimed to back the country's pro-trade and industry entrepreneurial classes. Its first governor was Archibald Campbell, the Earl of Ilay, who later became Duke of Argyll and was, at the time, Lord Register of Scotland and Keeper of the Privy Seal. The bank's first deputy governor, Sir Hew Dalrymple, was Scotland's most senior judge and many of its inaugural board members were either Edinburgh lawyers or members of the judiciary (so if there was to be any litigation 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 good'. For a 130-year stretch between 1838 and 1968, Royal Bank of Scotland had a Duke of Buccleuch and Queensberry as governor – later chairman, really a titular head. Successive Dukes of Buccleuch and Queensberry – whose family name is Montagu-Douglas-Scott and whose estates at Bowhill, Dalkeith, Drumlanrig and Broughton put them among the biggest landowners in Europe – were effectively given the governorship on a hereditary basis, with each succeeding as governor at the time of their father's death.

One of the Royal Bank of Scotland's earliest goals was to put the Bank of Scotland ('The Old Bank') out of business. A number of skulduggerous means were used, including hoarding its rival's banknotes. However, six years after the defeat of Charles Edward Stuart ('The Young Pretender') at the Battle of Culloden in 1746, which ended the Jacobite dream of a Stuart restoration, the feuding banks buried the 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 from outside aggressors and effectively carve up the Scottish market between them. Bank of Scotland agreed to steer clear of Glasgow, a city that was on the cusp of a boom for which the Royal Bank of Scotland had high hopes, while RBS agreed to steer clear of the rest of Scotland, giving free rein to the 'Old Bank' in the provinces. Under a system called 'Free Banking', which meant there was no central bank or 'lender of last resort' in Scotland, the two leading Scottish banks were to play a critical part in the development of the Scottish economy during the 18th and 19th centuries. The Royal was the more innovative from an early stage, inventing the overdraft – or 'cash credit' – which enabled trustful Scottish merchants to punch above their financial weight. Writing in *An Inquiry into the Nature and Causes of the Wealth of Nations*, published in 1776, Adam Smith praised Scotland's banking system which he said had expanded considerably since 1750 with 'new banking companies in almost every considerable town'.¹ Smith wrote:

The business of the country is almost entirely carried on by means of the paper of those different banking companies . . . Silver very seldom appears except in the change of a twenty shilling 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 country notwithstanding, ~~has evidently derived great benefit from their trade. I have heard it asserted, that the~~ trade of the city of Glasgow doubled in about fifteen years after the first erection of the banks there and that the trade of Scotland has more than quadrupled since the first erection of the two public banks [RBS and Bank of Scotland] at Edinburgh.²

In February 1793, seventeen years after Smith published *Wealth of Nations* and three and half years after the Storming of the Bastille in Paris, the Royal Bank came close to collapse. News of the outbreak of war with Revolutionary France sent jitters around the Scottish economy, fuelling demand for cash and triggering a slowdown in trade. However RBS was unabashed, extending a very large line of credit to one of its Glasgow borrowers. The loan came on the back of lavish, even reckless, lending to Glasgow merchants and manufacturers that had followed the opening of its Glasgow branch in 1783. ‘General commercial collapse was a very real and terrifying possibility, and the Royal Bank stood right at the sharp end,’ say the bank’s archives. One of the bank’s senior directors travelled to Westminster to plead with the government of Prime Minister William Pitt the Younger for a bailout. Eventually, the government came up with a neat way of salvaging the failing institution. The RBS archives say, ‘The proposal to issue Exchequer bills was passed on 29 April and given Royal Assent on 9 May 1793. On 1 May the Royal Bank resolved to apply for £200,000 of Exchequer bills . . . The British economy in general, and the Royal Bank of Scotland in particular, had been saved by government intervention.’³ It was not to be the first time.

There was a murkier side to the bailout though. According to American economist Murray Rothbard, in its aftermath, Scottish banks including Royal Bank treated their customers high-handedly as they struggled to rebuild their tattered balance sheets. Rothbard says that, in 1797, Scotland’s banks followed the Bank of England in suspending ‘specie’ payments – they stopped honouring requests to exchange banknotes for gold and silver coins on demand, even though the refusal meant they were breaking the law. Rothbard added, ‘Before the Scottish banks suspended payment, all Scottish bank offices were crowded with depositors demanding gold and small-note holders demanding silver in payment. They were treated with contempt and loathing by the bankers, who denounced them as the “lowest and most ignorant classes” of society, presumably for the high crime of wanting their money out of the shaky and inherently bankrupt banking system.’⁴

Rothbard believes the turning of a blind eye to such wrongdoing led bankers to assume they were above the law. But curiously, the banks’ ability to unilaterally suspend specie payments – which Professor Sydney G. Checkland says was never mentioned in public inquiries – also played a major part in Scottish banking’s success.⁵ It also meant there were fewer bank failures in Scotland than in other countries. Rothbard concluded, ‘The less-than-noble tradition of nonredeemability in Scottish banking 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 of cliquishness and prioritising their own interests and those of a select band of cronies. The manager of 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, Orders and Bye-Laws for the Good Government of the Corporation of the Royal Bank of Scotland on 2 March 1819. The sixteen-page document was reprinted and circulated, with little revision, for over a century. It was read out to the board every year, immediately after directors had been elected or re-elected. According to the bank’s website, the ‘important thing about these rules was not so much that they were

laid down, but that they were printed and circulated, accessible to anyone with an interest in the bank and its operation . . . [The document] sets out in clear English how the bank will make sure that its assets are kept safe; that its officers are honest; that its board supervises properly; and that branches are appropriately managed. It dictates rules for granting loans, to make sure that directors cannot bypass proper process in their own interests, and to guarantee that all loans are “transacted in the best and 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 disenchanted with the nation’s three existing players – Royal Bank of Scotland, Bank of Scotland and British Liners Bank. James Anderson, historian of the Commercial Bank of Scotland, says, ‘It was felt by many of the Scottish people that the three old Banks had become too . . . devoted to their own interests . . . to be the real promoters of the general good.’⁸ (Commercial Bank of Scotland merged with National Bank of Scotland in 1958 and with RBS in 1969–70). The onset of greater competition during the Victorian era was a force for good in Scottish banking, which became more accessible and democratic than in any other country of the world at the time. It was also a time when the bank’s shareholders had a strong vested interest in ensuring that its management behaved responsibly. As the Bank of England’s Andrew Haldane put it, ‘Banking was a low-concentration, low-leverage, high-liquidity business . . . Due to unlimited liability, control rights were exercised by investors whose personal wealth was literally on the 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 and embarked on southwards expansion. It didn’t help that the Scottish economy was on its knees after Chancellor of the Exchequer Winston Churchill ‘imprisoned industry in a golden cage’ by returning Britain to the ‘gold standard’ in 1925. RBS’s chief cashier and general manager, Alexander Kenneth Wright, acquired four English banks over the next 15 years: Drummond’s, which had its origins in Aberdeenshire (1924); Williams Deacon’s (1930); and two doyens of private banking – Child & Co (1939) and Glyn, Mills & Co (1939).¹⁰ RBS was on a roll. At a banquet to celebrate its bicentenary at Edinburgh’s North British Hotel on 3 June 1927, self-congratulation was the dish of the day. RBS chairman, the Duke of Buccleuch, said:

The banking system of Scotland [is] probably the greatest and most original work which the practical genius of the Scottish people [has] produced . . . There is no question that Scotland’s system of banking is one of the country’s greatest assets . . . In the peaceful development of the country after the risings of the ’15 and ’45, the banks, although then in the earliest stage of development, played an important part in developing trade and commerce, and thus acted as a civilising and moderating influence . . . The cash credit system, which as all students of the subject know, was introduced by the Royal Bank so far back as 1728 in itself was an evidence of Scotland’s more settled outlook, because 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 for the Treasury Sir Otto Niemeyer, Field Marshal Earl Haig and Brendan Bracken, editor of *The Banker*, also spoke of the bank’s many achievements.

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

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