



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Caroline Lucas MP
House of Commons
London
SW1A 0AA

11th April 2019

Your ref: ML.C0153.CM.4.4.19

Dear Caroline,

Thank you for your email of 4 April to the Chancellor of the Exchequer about the sale of Royal Bank of Scotland (RBS). I am replying as the Minister responsible for this policy area.

It may help if I begin by setting out the context for the Government's involvement in RBS. During the 2007-09 financial crisis, the then government undertook a series of interventions in order to ensure financial stability in the UK economy, including the provision of over £45 billion of capital to RBS, giving it approximately an 84% shareholding. Following two sales of its shareholding, the Government currently holds a 62.3% shareholding in RBS.

With the original objective behind the intervention achieved, the Government's policy is to return the financial sector assets acquired during the crisis to private ownership, when it represents value for money to do so, and market conditions allow. As the Chancellor has said previously, we have to accept that this may be at a price below what the then government paid for them. It is worth noting that RBS is now a fundamentally smaller bank than it was at the time of its recapitalisation.

You mention public ownership of RBS. It may help if I set out that, as a matter of principle, the Government believes that firms such as RBS best succeed under private ownership. The financial interventions made during the crisis were to protect people's savings and businesses, and not as a speculative investment. Returning RBS to private ownership is the right policy for taxpayers, customers and the wider economy. It is right that private investors, not the taxpayer, bear the risk of companies such as RBS.

The Government's shareholding in RBS is managed at arm's length and on a commercial basis by UK Government Investments Ltd (UKGI), a company which is wholly owned by the Government, with the objective of creating and protecting value for the taxpayer. UKGI's role is to manage the investment, not the bank itself. RBS retains its own independent board and management team for strategic and operational decision-making.

Regarding the operation of the retail banking sector, including decisions on lending and opening and closing branches, these are taken by the management team of each bank on a commercial basis. I hope you will appreciate that it would therefore be

inappropriate for the Government to intervene in these decisions. This policy applies equally to the closure of RBS branches as it does to operational decisions taken by any other bank. However, the Government does believe that banks should act in the best interests of their customers and is committed to increasing competition to deliver better financial products and services for all bank customers. The Government continues to engage actively with the banking industry and consumer groups on these issues.

Thank you for taking the trouble to make me aware of these concerns.

with very best regards

John

JOHN GLEN