NAB's adventure in the UK comes back to bite them

Summary:
NAB's previous CEOs Andrew Thorburn and Cameron Clyne have serious questions to answer over the bank's dealing in the UK. Clydesdale and Yorkshire banks have been found to be engaged in dodgy dealings and the Australian head office at the time was up to its neck in it.

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NAB UK Lawsuit Hits Court 03.05.19

Bank Warriors have been providing support to victims of misconduct by National Australia Bank (NAB) in the United Kingdom and attended the CYBG Plc Annual General Meeting in January in Melbourne. Clydesdale Bank was formerly owned by NAB.

Clydesdale Bank was demerged into CYBG plc in 2016 after the UK Prudential Regulation Authority

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stipulated that NAB provide A$3.5 billion in a 'Conduct Indemnity Deed' to pay UK customers remediation for past misconduct.

This was part of Andrew Thorburn's strategy to limit NAB's liability to misconduct arising from NAB's UK banking operations.

However, all of this money has now been spent, mainly for remediation payments for the mis-selling of Payment Protection Insurance (PPI).

The other part of Andrew Thorburn's strategy was to sell distressed UK commercial loans at a discount to the Vulture Fund, Cerberus Capital Management. **Cerberus is now actively bankrupting the victims of what have been described as 'toxic' loans designed by NAB's head office to avoid regulatory scrutiny.**

From 2001 to 2012 some 8,300 so-called 'Tailored Business Loans' were marketed to SME customers in the UK by NAB, but not Australia.

These new 'innovative' commercial loans had been designed at NAB's head office in Melbourne.

SME customers were offered a variable interest rate loan facility from a regional commercial office in the form of a written contract. The loan offer document also included a number of options for interest rate movement insurance, which could be activated at a later date (or not at all).

However, other bank staff known as NAB Treasury Representatives from another office would bombard the customer with phone calls seeking to 'sell' the insurance products.

Some insurance products required the payment of an up-front premium, which many borrowers were reluctant to pay.

However, one product marketed as a "Fixed Rate Loan" insurance policy, did not require an up-front premium payment and so this product was 'pushed' by the NAB Treasury Representatives.

With this type of interest rate movement protection, if interest rates went up, a 'Third Party' would make payments into the borrower's nominated account so that the borrower's monthly payments would be 'fixed'. Conversely, if interest rates went down, amounts would be taken from the customer's account to make insurance premium payments on a monthly basis, which again meant that the borrower's monthly payments would remain 'fixed'. This product could be more accurately called a "Fixed Payment Rate Loan."

The NAB Treasury Representatives would record their phone calls with customers.

However, instead of arranging interest rate movement protection with a 'Third Party' as stipulated in the Terms & Conditions of the written contract documents, regular payments for a non-existent insurance policy were deducted from the SME customer's account.

This is another example of a "Fees for No Service", which is similar to the "Fees for No Service" misconduct by NAB that was exposed in the Banking Royal Commission in Australia.

The Australian financial conduct authority, ASIC, has commenced proceedings in the Federal Court of Australia against NAB's pension scheme (superannuation) trustee in relation to the "Fees for No Service" misconduct in Australia.

In the United Kingdom, claims management firm, RGL Management, led by Australian expatriate banker James Hayward, has lodged a suit in the English courts on behalf of about 140 former SME customers of Clydesdale Bank but says ultimately there could be more than 1,000 Claimants.

More details can be found on the RGL Management website >> https://sueclydesdale.com

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Australian investigative reported, Adele Ferguson, has also covered the experience of some of the victims of NAB's misconduct in the UK, with one article titled: NAB's dream-destroying 'Death Star' that is Clydesdale Bank >> http://bit.ly/2XlepJ2

Bank Warriors will be watching developments of this class action against NAB and CYBG plc with interest.

The response of the UK Financial Conduct Authority is also awaited.

Sir Richard Branson, who sold Virgin Money to CYBG plc last year, may also take an interest in this class action, since Clydesdale Bank is soon to be rebadged as 'Virgin Money'!

ADDITIONAL INFORMATION From Reuters' Kirstin Ridley - 3.05.19

NAB, Clydesdale sued in UK over business loans

About 150 companies have launched a London lawsuit against Britain's Clydesdale Bank and its former owner, National Australia Bank, alleging they were deceived when they took business loans from the bank up to 18 years ago.

RGL Management, a company managing the group claim for the small and medium- sized businesses, said it expected to add hundreds more claimants to the lawsuit by year end and recover hundreds of millions of pounds in losses.

James Hayward, the CEO of RGL Management, said Clydesdale's conduct towards its customers has been "utterly disgraceful".

He said RGL had also instructed lawyers in Scotland, where Clydesdale is based, to bring proceedings as soon as legislation is changed to allow group claims there.
A spokeswoman for Clydesdale said the bank had yet to receive details of the case.

In the meantime, the bank said it continued to strongly refute any suggestion that it had not fully investigated historical cases involving small and medium-sized customers in a "wide-ranging remediation program."

National Australia Bank, which NAB spun off in 2016 together with Yorkshire Bank, with was not immediately available for comment.

The RGL claim alleges a string of offences against the banks, including deceit, misrepresentation, negligent misstatement, breach of contract and unjust enrichment.

It alleges Clydesdale and NAB deliberately or recklessly misrepresented a contractual ability to charge a break cost to end the loans early - to which they were not entitled - and deliberately added hidden margins into interest charges on fixed-rate loans.

The action, filed after British politicians have lambasted lenders for predatory practices against small businesses, relates to around 8,300 Tailored Business Loans (TBLs) that Clydesdale issued between 2001 and 2012.

Banks in Britain have already paid out more than £2 billion in compensation to small companies that claim they were mis-sold interest rate hedging products. Around 6,000 Clydesdale customers were sold TBLs, with embedded interest rate hedging features, which are not eligible for compensation because they are classified as commercial lending.

In a parliamentary report published in 2015, MPs said Clydesdale had admitted the terms and

conditions letters for TBLs were not as clear as they could have been - *Reuters*

Also - see below for in-depth analysis by Evan Jones

File Attachments:	Attachment	Size
	NAB's Andrew Thorburn used the Vulture Fund Cerberus in UK bank scandal	888.86 KB
	NAB facing fresh UK loan refund threat - Adele Ferguson - AFR	213.41 KB

Websites For More Information: The parlous history of NAB's Clydesdale Bank (Part 1): Long under the radar - Evan Jones
https://independentaustralia.net/business/business-display/the-parlous-history-of-the-nabs-clydesdale-bank-part-1-long-under-the-radar,11228
The parlous history of NAB's Clydesdale Bank (Part 2): Will Clydesdale boil over? - Evan Jones
https://independentaustralia.net/business/business-display/the-parlous-history-of-nabs-clydesdale-bank-part-2-will-clydesdale-boil-over,11232

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