

Banking Competition Remedies Ltd – key facts

What is Banking Competition Remedies Ltd (BCR)?

Banking Competition Remedies Ltd (BCR) is the independent body established to implement the £775 million Royal Bank of Scotland (RBS) State Aid Alternative Remedies Package. BCR is independent from RBS and the UK Government. It is governed by an independent board of directors.

Why was Banking Competition Remedies established?

- The 2008 financial crash led to HMG recapitalising RBS, often referred to as the “bailout”
- This amounted to £45.5bn and left HMG with an 84% stake in RBS.
- As a result of this intervention, the European Commission placed a number of State Aid measures on RBS to limit the distortions in competition that resulted from state support.
- To achieve this, it was therefore necessary for HMG to work with RBS and the European Commission to find a way to resolve RBS’ State Aid commitments and increase competition.
- One of these commitments was for RBS to divest the business formerly known as Williams & Glyn, with the objective to mitigate the distortion of competition in the UK SME banking market.
- However, by late 2016 RBS were unable to divest Williams and Glyn and HMG sought to replace the commitment with an alternative package of measures aimed at increasing banking competition in the SME market. In September 2017, the ALTERNATIVE REMEDIES PACKAGE was agreed with the European Commission as a resolution of RBS’ final State Aid commitment. Subsequent to that, Banking Competition Remedies was established as the delivery mechanism.

What are the key responsibilities of Banking Competition Remedies?

BCR’s purpose is to implement the Alternative Remedies Package. It has had no involvement in the design of the eligibility criteria for applicants, the timelines for delivery, the legal agreements to be entered into, the sums to be disbursed or the associated processes for those engaging with the two workstreams. These details were worked out and agreed between HMG and the EC.

BCR is focused on:

- Providing information to applicants in respect of the Capability and Innovation Fund and Incentivised Switching Scheme.
- Managing and disbursing the Capability and Innovation Fund to Eligible Bodies.
- Administering dowry payments to Eligible Bodies and overseeing the delivery of the Incentivised Switching Scheme.
- Monitoring compliance by Eligible Bodies with the terms of the agreements governing the use of funds.
- Reporting publicly on the Alternative Remedies Package.

What is the Alternative Remedies Package?

The Alternative Remedies Package was negotiated and agreed between HMG and the EC and comprises two RBS funded measures amounting to £775m:

1. The **Incentivised Switching Scheme** – to which up to £275m is allocated to assist SME customers within the W&G business to move to ‘challenger banks’. A further maximum sum of £75m has been set aside within RBS to cover customers’ switching costs.

2. The **Capability and Innovation Fund**– to which £425m is allocated to support the development of wider capabilities and competition in the SME banking market essentially through grants to eligible challenger institutions across 4 “pools”.

Pool A	Pool B	Pool C	Pool D
1 x £120 million 1 x £100 million 1 x £60 million	1 x £50 million 2 x £15 million	4 x £10 million	5 x £5 million

What are the key dates for the Incentivised Switching Scheme?

5 November 2018:	Application window opens
30 November 2018:	Application window closes
Mid-December 2018:	Communication to successful and unsuccessful applicants Public announcement

What are the dates for the Capability and Innovation Fund?

Pool A

1 November 2018:	Application window for Pool A opens
31 December 2018:	Application window for Pool A closes
w/c 18 February 2019:	Public announcement on Pool A

Pool B

1 February 2019:	Application window for Pool B opens
29 March 2019:	Application window for Pool B closes
w/c 20 May 2019:	Public announcement on Pool B

Pool C

1 May 2019:	Application window for Pool C opens
28 June: 2019	Application window for Pool C closes
w/c 19 August 2019:	Public announcement on Pool C

Pool D

1 November 2018:	Application window for Pool D opens
30 April 2019:	Application window for Pool D closes
By 30 June 2019:	Public announcement on Pool D

Who monitors Banking Competition Remedies decisions and processes?

Both the Capability and Innovation Fund and the Incentivised Switching Scheme have robust processes that ensure all applications are considered fairly and without bias:

- For Incentivised Switching, there is a dedicated team who will process applications and present them to the full board for consideration and final decision.
- For the Capability and Innovation Fund, BCR has engaged an outside contractor, Baringa, with specialist procurement and evaluation experience to receive and analyse the applications via a rigorous and detailed process. An evaluation committee will discuss the output of this process and a set of supported applications presented to the full board for consideration and final decision.

A team at Mazars has been appointed and contracted by HMT to act as the independent monitor for the overall project.