

Press release issued on behalf of BCR

For immediate release: Friday 3 April 2020

Banking Competition Remedies Ltd (BCR) market update

Banking Competition Remedies Ltd (BCR), the independent body established to implement the £775 million Royal Bank of Scotland (RBS) State Aid Alternative Remedies Package, today issues updates regarding both the Capability and Innovation Fund and the Incentivised Switching Scheme.

Capability and Innovation Fund (CIF) Updates

Nationwide returns £50m grant

The Alternative Remedies Package (ARP) that BCR is delivering includes in its processes an ability for awardees to revise their original business cases, subject to the approval of the BCR Board.

Recently Metro Bank, due to changes in its strategy, proposed a Revised Business Case to BCR under which it would continue to deliver part of the original business case while returning £50m of the funding. This was approved by BCR and this funding is now available for redeployment under the CIF scheme.

Nationwide has announced that due to the impact of COVID-19, including assumption changes to short and long-term interest rates, the option of entering the business banking market is no longer commercially viable. Its board has therefore decided not to proceed at this time with its Nationwide for Business proposition and its plans to turbo charge that proposition with the £50m CIF grant. BCR has accepted a Revised Business Case from Nationwide in line with the established process in which Nationwide will return, with interest, the full £50m grant awarded. This further funding will now also be available for redeployment under the CIF scheme.

£100m funding to be redeployed

Although the rules under which BCR operates meant that BCR was unable to seek applications or make the funding available until considerably later in the programme, BCR has now agreed with HM Treasury (HMT) and RBS to bring this process forward in order to enable the funds to be deployed to potential applicants in supporting the UK SME market as soon as is feasible.

By the end of April, BCR will set out the consultation, expression of interest and application processes, eligibility criteria and other relevant information so that applicants can register their interest and start preparing their applications.

BCR said: "These returns of funds and the further funding round announced today are in line with the design and processes of BCR. Awardees' businesses evolve in the light of changing circumstances and both Metro and now Nationwide have been very straightforward with BCR about their respective cases. The outcome is that BCR has some £100m to redeploy and has now achieved the necessary agreements to do so earlier than was otherwise possible.

"This is positive news for the many potential applicants who have already contacted us. Our awardees are delivering competitive and valuable solutions at a time of great challenges for SMEs and those who serve them. We will deploy these funds, as foreseen in the design of BCR and now accelerated, in further support of innovative ideas to improve competition in financial services to SMEs."

Incentivised Switching Scheme (ISS) Update

Dowry payments to SMEs can be accelerated

Currently SME customers switching banks under this scheme receive a 'dowry' payment from the participating body to which they switch.

Customers with a turnover of above £1m receive this money in two tranches, one at switch and one 12 months later.

BCR, with the agreement of HMT and RBS, has decided (effective immediately) to waive this requirement. This means that banks that wish to do so can pay across the full dowry at switch and release the retained element of the dowry for those that have switched in the last twelve months.

It is expected that ISS Participants that choose to pass on the dowry will be able to do so by 30th April 2020. This waiver will remain in place until the current expiry of ISS in August 2020.

This step will both enhance the effectiveness of the switching scheme in incentivising customers to switch their accounts from RBS and aid transferred customers in the current period of cashflow challenges.

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For media enquiries, please contact

Tony Langham: Tonyl@lansons.com 07979692287

Maddy Morgan Williams: Maddymw@lansons.com; 07739184920

Megan Sunderland: MeganS@lansons.com; 07866040940

About BCR

Banking Competition Remedies Ltd (BCR) is the independent body established in 2018 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. The Alternative Remedies Package was negotiated and agreed between HM Government and the European Commission and comprises two RBS funded measures amounting to £775m:

- The **Incentivised Switching Scheme** – to which up to £275m is allocated to assist SME customers within the Williams & Glyn business to move to 'challenger banks'. A further maximum sum of £75m has been set aside within RBS to cover customers' switching costs.
- The **Capability and Innovation Fund** – to which £425 million has been allocated to support the development of wider capabilities and competition in the SME banking market essentially through grants to eligible challenger institutions across four pools.

The next regular progress update for CIF will be published on Friday 29 May and will include an update on all the Pools. Future reporting dates can be found here.