



**RBOS Shareholders Action Group**

PO Box 62  
Chislehurst  
BR7 5YB  
Phone: 020-8467-2686  
Email: [info@rbosaction.org](mailto:info@rbosaction.org)  
Web: [www.rbosaction.org](http://www.rbosaction.org)

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## **Update No. 7**

### **Government Aid Issue**

Ms Neelie Kroes, the European Unions Competition Commissioner, recently gave a speech to a London banking conference indicating that after tackling the German banks she was now looking at UK banks. She said "*The massive aid received by banks such as Lloyds and RBS allows these banks to remain leaders in markets which are concentrated*". She hinted that this might require "significant divestments". Any such action which would force RBS to shrink its loan book or dispose of significant assets would impact the long term recovery of the company.

It would seem that the European Commission takes a very dim view of the size and dominance of RBS in Europe and the fact that the UK Government is supporting the company is perceived as contradictory to European competition law.

### **Green Groups' Legal Action**

Another negative aspect of Government control of RBS can be seen in the recent announcement by several environmental groups of a landmark lawsuit against the Treasury. They allege that taxpayers' money is being used to support Royal Bank of Scotland and finance projects which are not consistent with Government environmental policy. For example, RBS has traditionally financed many oil and gas development schemes and companies. The environmental groups have launched a judicial review on the legality of the Government's actions – a legal action which is only possible against state controlled organisations.

### **No Quick Exit**

John Kingman recently presented the first report from UK Financial Investments Ltd (UKFI) who hold the Government's stake in RBS and Lloyds Bank. He said it "would inevitably take several years" for them to dispose of these holdings. This rather scotched speculation in the press that the Government was looking for a quick exit. However he also said that "opportunities for us to sell the government's shares might emerge" as the economy came out of recession. It would appear that some minor disposals might be contemplated later this year but the bulk will not be sold until the prices obtainable for bank shares are much better – the Government would suffer substantial losses if they sold now and it would clearly be wise for them to defer this and either pick an opportune moment or do it in stages.

## **RBS the Top Loser**

The Royal Bank of Scotland suffered the heaviest losses of all banks worldwide in 2008 according to the Banker magazine. Losses at RBS were \$59.3 billions, whereas Citigroup lost \$53 billion and Wells Fargo \$47.8 billion.

## **Legal Action Against Whom?**

A common question that comes up is who would any legal action be against? The action would be probably against one or more of the following: the directors of the company at the time, the organisations who attached their name to the prospectus or acted as promoters of it, the auditors who audited and signed off the published accounts, and the company. We might of course have to rely on the insurers of some of that list to receive any substantial settlement because the directors would certainly not have sufficient assets to meet the likely size of the claim for example. As regards the last of that list (the company), yes it may be unwise for shareholders to sue their own company and we would have to look carefully at that issue. For this reason it is important for shareholders to have control of this action. This answer has been added to the list of common questions on our web site on this web page: [www.rbosaction.org/Questions.htm](http://www.rbosaction.org/Questions.htm)

## **Hester Gets Tougher Targets**

Chief Executive of RBS, Stephen Hester, is to get tougher performance targets next year if he is to collect his maximum bonus. He will need to meet goals on profitability and other measures as well as simply meeting a share price target. We and many other people criticised his bonus arrangements when they were first announced.

## **Registration Reminder**

If you have not registered your interest in the proposed legal action you are reminded that you need to do so as soon as possible. Please use the form you can obtain from this page of our web site: [www.rbosaction.org/Membership.htm](http://www.rbosaction.org/Membership.htm) .

Roger Lawson, RBOS Shareholders Action Group  
Telephone: 020-8467-2686  
Email: [roger.lawson@btclick.com](mailto:roger.lawson@btclick.com)

*Note that all "Update" reports are posted on the News section of our web site ( [www.rbosaction.org](http://www.rbosaction.org) ) as soon as they are issued.*