

## PRESS CUTTING

**The Express**  
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### **Angry RBS staff could sue over axed bonuses**

**BYLINE:** By Rod Mills Chief Reporter

TAXPAYERS will almost certainly face costly legal action over moves to slash bailed-out bankers' salaries, it was claimed yesterday.

Senior Royal Bank of Scotland staff have been effectively given a 10 per cent pay cut after a profit share scheme they thought had been guaranteed was abolished.

The bank has closed the scheme, which gave around 80,000 nonmanagerial staff a 10 per cent pay boost every year for the past 11 years.

Earlier this week Chancellor Alistair Darling said there would be "no reward for failure" and slashed the GBP 1billion RBS bonus pot by 90 per cent to GBP 175million.

But RBS staff have claimed that in 2007 Sir Tom McKillop wrote to members notifying them that the profit share payments would be made every year.

They had previously been made "at the discretion of the board", but Sir Tom apparently waived the formality because he was so confident of the bank's future prospects.

Now lawyers claim the letter could leave RBS open to legal action from staff as it forms a contract. The letter says: "For 2007 and future years, profit share will be set at 10 per cent of base salary and all eligible employees will receive this non-pensionable payment in March each year."

Employment lawyers **Ronnie Fox** described the letter as "foolish", and said the bank was now committed to the payments.

He explained: "The great advantage of the bonus system is that it is flexible. You can choose to reward good performance, and if performance is poor, you don't have to pay any bonus. "But I think Sir Tom took away some of the discretion and has entered into a contractual agreement commitment to all eligible employees.

"If RBS takes it away, then employees can choose to treat themselves as constructively dismissed.

"I would say they have a legally enforceable right to 10 per cent of their base salary in accordance with this commitment."

Politicians have express outrage at proposed bonuses for RBS after it was bailed out with GBP 20billion of taxpayers' cash in October.

Yesterday the First Minister joined calls for a cap on bonuses at the Royal Bank of Scotland claiming it would be a "perfectly workable" solution. Alex Salmond, who worked at economist at the bank before embarking on a career in politics, said he was mystified why the issue of bonuses at the troubled bank was only now being addressed.

Speaking during a visit to Cardiff before a meeting of the British-Irish Council, Mr Salmond said that if he was still at the bank, he would not accept a bonus in the present circumstances.

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"When an organisation goes into the public sector, one of the obligations is to accept public sector pay norms.

"Nobody, I think, would want to deny people, many of whom are relatively lowly paid across the financial sector, a reasonable entitlement or a good return.

"But I would have thought a monetary cap on bonuses seems to be a perfectly workable solution, " he said.

During a speech in Glasgow yesterday, Scottish Secretary Jim Murphy said: "The goalposts have been moved - there are rigorous conditions attached to the rescue packages and a far higher level of accountability injected into the way they do business in the future.

"No British banker will be paid a penny in bonuses if they have been associated with past failures in the banks the Government has a stake in."