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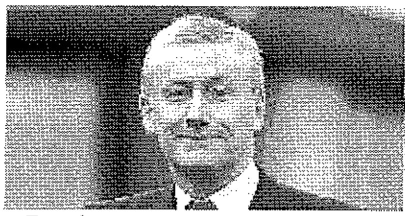
£4.7 million: the price of a normal family life



Sir Fred Goodwin takes a massive cut in his pension to rebuild his family life and career in Scotland

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By MARTYN MCLAUGHLIN

SIR Fred Goodwin yesterday agreed to a 40 per cent cut in his controversial pension in an effort to stem the public anger towards him and his family. The former Royal Bank of Scotland chief – who has been living in a secure villa on the French Riviera – has "volunteered" to cut his pension pot by £4.7 million.
His annual payout will now fall from £555,000 to £342,500, according to RBS. The banker has already withdrawn a tax-free lump sum advance of £2.7m on his pension.

Sir Fred fled Edinburgh following widespread public hostility towards his enormous payout. He also left RBS suffering the largest corporate loss in UK history.

It is understood that he and his family are desperate to return to a normal life in Edinburgh, and with little sign that hostility towards him was dissipating, Sir Fred accepted that making a public gesture of returning a portion of his pension was the best way forward. The Goodwin family has suffered amid public opprobrium.

After Sir Fred's enormous pension came to light, vandals attacked the Goodwins' £2m family home in Edinburgh, smashing windows and damaging a family car.

It was revealed at the weekend that Sir Fred has been spending time in a luxury rented villa near Cannes, guarded round the clock by security staff and dogs. His family has continued to live in Scotland, while his children attend school.

Sir Fred's decision to forgo a large chunk of his pension payouts is in stark contrast to his previous refusal to give up any of his entitlement. RBS yesterday said he approached the bank himself after being cleared by a recent internal inquiry into his conduct and pension arrangements.

The announcement came on the same day edited claims of MPs' expenses were finally published by the House of Commons, with some elected representatives – the new focus of the public's ire – facing possible police investigations. The cut in Sir Fred's payments was described by the bank as "an acceptable amount to all parties".

Gordon Brown welcomed the move and called for a more transparent rewards system in future for top bank executives. The Prime Minister said: "It is right that Sir Fred Goodwin paid back at least some of the money. This was the discretionary element agreed by RBS before he left

"For the future, it is really important that we have a proper system of bonuses and rewards. It will be very important that the systems on which these rewards are based are far more transparent and open."

Chancellor Alistair Darling said Sir Fred was "doing the right thing", and urged RBS, which is now more than 70 per cent owned by the taxpayer, to "learn from its mistakes". He said: "What I want to do now is to make sure that we rebuild RBS and all its banking operations. That's absolutely essential, not just for the bank but for the thousands and thousands of people who work for that bank and for the economy as a whole."

Ronnie Fox, principal of Fox Lawyers, a firm of employment solicitors, said the government was guilty of "double standards". He said: "I think Sir Fred did a deal with RBS, and it looks as though the deal was approved by the government.

"I think the government has worked extremely hard to avoid taking responsibility for what happened to RBS and the financial crisis generally. Sir Fred's pension was approved by the government."

He added: "I imagine that enormous pressure was placed on Sir Fred to force him to surrender a part of his pension. I wonder about the nature of that pressure.

"With the benefit of hindsight, we are all clever. Everybody makes mistakes, and it may well be that Sir Fred made errors of judgment. But I have seen no evidence that Sir Fred broke any law or acted in breach of his obligations to RBS."

Public relations experts told The Scotsman that Sir Fred's battered reputation may be unsalvageable, suggesting he may be unable to emulate the return to public life by his former counterpart at HBOS, Andy Hornby, who last week became the chief executive of Boots.

Phil Hall, a former News of the World editor who is acting as Sir Fred's spokesman, said the former banker would not be commenting "for the foreseeable future".

The RBS chairman, Sir Philip Hampton, said: "On any measure, this represents a very substantial reduction to Fred's pension and is an acceptable amount to all parties to the discussion. I am very pleased that we have resolved a situation that has been a difficult and unhappy one for all the parties involved, and it is to Fred's credit that he has done this on a voluntary basis."

He added that the row was distracting from the task of recovering the fortunes of the stricken bank. He said: "This pension arrangement became a symbolic issue and the focus of unprecedented media and political attention.

"It had to be fixed to allow everyone to focus our energies where they should be – getting the company back to health."

The chairman added that an internal inquiry into Sir Fred's pension, actions, expenses and use of company assets had concluded recently "there was no conduct on Fred's part that would justify reducing the pension".

He said Sir Fred had wanted to wait until the conclusion of the inquiry before addressing the issue.

However, trade union Unite dismissed the pension reduction as a "small gesture".

Rob MacGregor, its national officer, said: "For the diabolical failure by Fred Goodwin, which led to the near-collapse of RBS, this small gesture represents only a fraction of the massive pension that he is walking away with.

"Goodwin will still enjoy a very comfortable future at the expense of the taxpayer."

Sir Fred's offer marks a major climbdown after he denied as early as April that he was considering any voluntary reduction in his pension – a decision that caused outcry, given the part he played in the bank's woes.

RBS was heavily exposed to toxic assets and bad debts, and disastrously bought Dutch bank ABN Amro at the top of the market in 2007, before the credit crunch struck.

Sir Fred previously maintained that he had a contractual right to the pension and he expected the bank to fulfil its obligations. In a letter to City minister Lord Myners in February, Sir Fred insisted that changes to the early retirement deal he had negotiated when he was forced out in the autumn were "not warranted".

The bank and the Treasury have since been taking legal advice on whether they could claw back some of the payment.

Sir Fred agreed to give up a year's salary lump sum, which he was due in lieu of notice, as well as certain share-related awards, when he agreed to retire early as the government stepped in to rescue the beleaguered RBS.

But there was anger over news that the RBS board chose almost to double the size of his pension pot

If he had been dismissed, rather than leaving on agreed terms, his pension would have been substantially less – calculated at an estimated £416,000 a year.

UK Financial Investments, the body charged with managing government-owned stakes in banks, said: "We agree with the Treasury's view and are glad the bank has now resolved this matter with Sir Fred.

"It was the right thing to do. It is now time to move on and concentrate on getting RBS back to strength."

Liberal Democrat Treasury spokesman Vince Cable said it was only right that Sir Fred should return part of his pension.

Mr Cable said: "This was a grotesque level of incompetence which resulted in a major bank collapsing, having to be rescued by the taxpayer at enormous public cost and a great deal of cost to many bank employees."

John Mann MP, a Labour member of the Treasury select committee, said: "This is an appropriate reduction and does begin to rehabilitate Mr Goodwin."

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