

PRESS CUTTING

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Taxpayers face bill for axing staff bonus scheme at RBS

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Bank employees plan to sue after profit sharing is slashed
TAXPAYERS look likely to face the bill for legal action over the axing of a Royal Bank of Scotland staff bonus scheme.

Bank staff are planning to sue after a profit share scheme they say was guaranteed was slashed by Chancellor Alistair Darling.

The plan gave around 80,000 non-managerial staff a salary bonus of ten per cent each year. This was once made "at the discretion of the board", but staff say then-chief Sir Tom McKillop wrote to them in 2007 guaranteeing the annual payments.

However, after the bank was bailed out by taxpayers, the Chancellor vowed to rein in bankers' bonuses and reduced the RBS bonus fund by 90 per cent, from GBP 1 billion to GBP 175 million.

Employment lawyer **Ronnie Fox** said: "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 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 ten per cent of their base salary in accordance with this commitment."

Meanwhile, it emerged that RBS is planning to offer loans to some of its staff against bonuses they are owed, which have been deferred until 2010 under a deal with the Government.

The employees will be offered up to 30 per cent of their bonuses spread over three years. An RBS spokesman said: "When we told staff we were deferring bonuses and abolishing profit share, we also wanted to make it clear to staff that we intended to find a way to manage the impact of this on their household budgets. It is chiefly intended to assist the large number of staff in Britain who were expecting bonus amounts of a few hundred or thousand pounds who will not receive anything this year."

It is thought that the scheme could not be used by the highest-paid investment bankers at RBS because their bonuses are designed for the bank to be able to claw them back if the divisions they work in subsequently lose money.

First Minister Alex Salmond, who worked for RBS as an economist before he entered politics, yesterday called for a cap on bonuses for RBS staff. He said: "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."

Mr Salmond said that if he was still working at the bank he would not accept a bonus.