

RBS to pay £576m staff bonuses despite £8.2bn of losses but boss warns of job losses as part of £6bn cost cutting plan

Bank chief announces £1bn of cost savings this year and £5bn by 2017

RBS defends bonuses as a way 'to keep people engaged in the job'

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Royal Bank of Scotland will pay staff bonuses totalling £576million despite slumping further into the red with annual losses of £8.2billion.

The bonus pot is 15 per cent lower than last year but that included a £237million payout shared among its investment bankers.

The taxpayer-backed lender, which is just over 80 per cent owned by the government, saw losses widen significantly from £5.3billion in 2012 after taking a further £3.8billion hit for a string of scandal-related charges and a £4.8billion hit for the creation of an internal 'bad bank'.



Still losing money: Taxpayer owned Royal Bank of Scotland has announced annual losses of £8.2billion

The bank's share price tumbled 4.5 per cent, or 15.80p to 338p, as the stock market opened today.

Chief executive Ross McEwan outlined a revival plan to make the bank 'smaller, simpler and smarter' that will see it shrink from seven divisions to three and overhaul its service and products for retail customers.

Fears of large scale job losses were confirmed with the RBS boss warning they were inevitable given plans to slash the number of divisions and make savings under a swingeing cost-cutting drive, which will see £1billion of savings this year alone and £5billion overall by 2017.

But he said it was too early to give details on the impact on the bank's workforce.

The bank's bonus pool has stoked controversy given the mammoth losses and as it remains under investigation over allegations of unscrupulous treatment of small firms.

The group is facing a series of probes after a shocking report from government adviser Lawrence Tomlinson accused RBS of driving firms to collapse in order to profit from their property assets.

The bank has fuelled anger further over bonuses by recently confirming it was considering plans to request shareholder permission to pay bonuses of up to double an employee's salary for 2014 onwards - the maximum allowed under new EU rules to cap payouts.

Today Mr McEwan defended the bonus handouts, saying: 'We need to keep people engaged in the job they do all day every day - from the high street to those in our markets business in the United States.

'We need to pay these people fairly in the marketplace to do the job.'

The RBS boss, who only took over last summer, admitted the group was the 'least trusted bank in the least trusted marketplace', but said the turnaround was designed to turn its reputation around.

He said the bank would axe teaser rates that lure in new customers and offer the same deals to both new and existing customers, while also rolling out a team of business banking representatives in branches on the high street as part of its overhaul.

Deputy Prime Minister Nick Clegg said RBS was 'in a different category' from other banks because it is largely taxpayer-owned and should show restraint on pay and bonuses.

Mr Clegg told ITV1's Daybreak: 'A loss-making bank that is basically on a life-support system because of the generosity of British taxpayers shouldn't be dishing out ever larger amounts of money in pay and bonuses.



Rescue plan: RBS boss Ross McEwan has embarked on a plan to resolve the bank's continuing debts by hiving off its bad loans

‘The overall amount has been coming down. It needs to continue to come down. They are entitled to pay their staff what they want when they are standing on their own two feet. At the moment they are not.’

Yesterday RBS announced the sale of its remaining stake in insurer Direct Line, almost a year earlier than many in the City had expected.

The state-backed lender said its 28.2 per cent interest in the insurer – or 423.2million shares – will be sold to institutional investors such as pension funds.

The sale was expected to raise around £1.1billion, helping to plug a shortfall in RBS’s capital.

The process kicked off hours after Direct Line revealed its pre-tax profits increased 70 per cent last year to £423.9million.

Insiders at RBS described the move as ‘opportunistic’ given the insurer’s strong performance and share price.

There are still questions as to whether RBS plans to follow the lead of rivals such as Barclays and HSBC by introducing monthly allowance payments to sidestep the rules further and boost potential bonuses.

On Monday, HSBC confirmed plans for its boss Stuart Gulliver to swerve the EU bonus cap as his pay package soared to £8million - making him Britain's best paid banker.

The UK-based global banking giant said Mr Gulliver's base salary will remain at £1.25million for this year but that he will receive a fixed pay allowance of £1.7million, to be awarded in shares on a quarterly basis.

The news came as HSBC today announced profits up 9 per cent to £13.6billion in 2013.

Last week, Lloyds Banking Group came under fire for handing its chief executive Antonio Horta-Osorio a £1.7million shares bonus, albeit one which he will not be able to collect until 2019.

Lloyds also confirmed it had hiked its bonus pool by 8 per cent to £395million, which Horta-Osorio described as a 'small increase' given the improvement.

And the increase in bonuses at Lloyds came just days after Barclays hiked its bonus pool by 10 per cent to £2.38billion.

Barclays chief executive Antony Jenkins, who had already waved his bonus of up to £2.75million, said paying for talented staff was in the 'best interests' of shareholders.

<http://www.thisismoney.co.uk/money/markets/article-2569028/Royal-Bank-Scotland-pay-576m-staff-bonuses-despite-8-2bn-losses.html>