

# **Directions to NatWest Group plc (NatWest) issued under the Small and medium-sized enterprise (SME) banking undertakings 2002**

**31 August 2022**

## **Introduction**

1. The CMA<sup>1</sup> is issuing Directions to NatWest Group plc (NatWest) concerning a breach of the Undertakings signed by the Royal Bank of Scotland Group plc<sup>2</sup> (the Undertakings). The breach took place between November 2016 and 15 May 2020. A total of 956 Business Current Accounts (BCAs) were bundled with loans in breach of the Undertakings. NatWest reported the breach to the CMA in January 2021.
2. Clause 17 of the Undertakings includes a prohibition on NatWest directly or indirectly requiring or threatening to require that SMEs that hold certain bank loans and deposit accounts also hold business current accounts (BCAs) with that bank. This is commonly known as ‘bundling’ products.
3. NatWest is subject to an annual reporting regime where it provides the CMA with an audit report of its compliance with the Undertakings on an annual basis. This reporting obligation is set out in a 2014 agreement<sup>3</sup> between NatWest and the CMA (the 2014 Agreement).
4. On 29 January 2021 NatWest informed the CMA of a potential breach. NatWest explained that this suspected breach arose from the fact that its Electronic On-Boarding Account Opening (eOBAO) system automatically opened a BCA for new-to-bank Small Business Loan customers who applied for an account, even if the customer had required a feeder account. NatWest also said that it monitored customers’ use of BCAs which had been opened at the same time as a loan and converted any BCAs which were being used as a

---

<sup>1</sup> On 1 April 2014, the relevant functions of the OFT and the CC were transferred to the CMA under Schedule 5 to the Enterprise and Regulatory Reform Act 2013 and the Schedule to the Enterprise and Regulatory Reform Act 2013 (Commencement No. 6, Transitional Provisions and Savings) Order 2014.

<sup>2</sup> Royal Bank of Scotland Group plc was renamed NatWest Group plc on 22 July 2020.

<sup>3</sup> The 2014 Agreement was signed by the eight banks in March 2014. A copy of the 2014 Agreement can be viewed on pages 22 and 23 of the CMA’s SME banking report on compliance: [SME banking undertakings 2002: a report on Banks’ compliance audits 2020 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/91111/SME_banking_undertakings_2002_a_report_on_Banks_compliance_audits_2020.pdf)

feeder account into a feeder account, refunding charges as appropriate. NatWest informed the CMA that it had suspended the conversion process from April 2020 due to the Covid 19 pandemic.

5. The CMA wrote to NatWest for more details relating to the breach on 5 February 2021.

## **Background**

6. In 2002, following a Competition Commission (CC) investigation into banking services for SMEs, nine banks (two of which have since merged) including NatWest agreed that, other than in respect of integrated products, they would no longer require an SME customer to open or maintain a BCA to open, maintain or service a business loan or a business deposit account. This practice is commonly known as bundling. Royal Bank of Scotland Group plc, which was renamed NatWest Group plc on 22 July 2020, gave the Secretary of State for Trade and Industry and the Chancellor of the Exchequer undertakings under section 88 of the 1973 Act.
7. On 11 March 2014, the Office of Fair Trading (OFT) agreed with the banks that signed the Undertakings a package of measures that sought to achieve two main objectives: that each bank should provide staff dealing with SME customers with an annual written reminder on the obligations within Clause 17 of the Undertakings; and that each bank should, via its internal audit function, review its compliance with Clause 17 of the Undertakings and submit a report to the CMA (the Audit Report).

## **The breach**

8. Customers applying for a small business loan with NatWest from November 2016 who did not already hold a BCA with NatWest were given the choice of having their loan serviced by a BCA (which until March 2020 attracted monthly fees / standing charges) and a fee-free feeder account. However due to a failure in the design of NatWest's eOBAO system the only account type that NatWest's systems would allow customers to open was a BCA. This meant that NatWest automatically opened BCAs for all customers, regardless of the choice made between a fee-free feeder account and a BCA which charged fees.
9. NatWest has explained that its eOBAO process was not originally designed for business loan products, and that it was incorporated into the applications process for small business loans without taking into account the requirement to offer a choice between a BCA and a loan feeder account. The failure was caused by a lack of oversight by NatWest's product and risk teams. The

failure was not identified by NatWest's Internal Audit reviews of compliance with the Undertakings as the scope of NatWest's internal compliance reviews did not include changes to the small business loan application process. Since 2020, the scope of these reviews has been extended to cover the small business loan application process.

10. NatWest has breached Clause 17.1 of the Undertakings. NatWest undertook that it would “. . . not directly or indirectly require . . . as a condition of the granting, maintaining or servicing of any business loan to . . . any SME that the SME should open or maintain any business current account with the Bank”. As new-to-bank SME customers applying for a NatWest small business loan were automatically given a BCA and not a genuine choice of a BCA or fee-free feeder account, NatWest breached Clause 17.1 of the Undertakings.
11. The total number of customers affected by this breach is 956 customers. 702 of the 956 customers will be given refunds, as they incurred BCA fees. The remaining customers were never charged, and so, refunds are not applicable.

## **CMA's decision**

12. The CMA has decided to issue Directions to NatWest in relation to the breach described above.
13. The CMA notes that
  - (a) The issue affected customers applying for NatWest's small business loans product.
  - (b) NatWest's policy was to offer customers a choice of BCA or feeder account, although in practice all new to bank customers applying for a small business loan via self-serve eOBAO would have had a BCA opened.
  - (c) NatWest monitored affected customer's account usage, identified those customers who had BCAs opened but did not use their accounts as BCAs, and converted them to loan feeder accounts and refunded their fees.
  - (d) NatWest had compliance controls and processes in place, albeit these were ineffective in preventing the breach.
14. The CMA notes that NatWest has committed to taking the following steps to ensure its future compliance:
  - It has enhanced its preventive and detective measures.

- It has introduced a second- line of defence model which will allow it to identify and rectify promptly any future breaches.
- It committed to procure an independent review of its compliance processes, the results of which would be delivered to the CMA. This proposal to procure an independent review has been superseded by the Directions, clauses 4-8, which mandate an independent review.
- It will put better document management in place, so as to prevent a recurrence of the previous concern where poor record keeping meant it could not uncover the original reasons behind the breach.
- It will introduce a new training programme which goes further than the one in place presently.

15. The CMA has decided to issue Directions to NatWest in relation to this breach. In reaching this decision, the CMA has considered:

(a) The explanation provided by NatWest for the breach and its subsequent engagement with the CMA including consideration of the information and documents supplied to the CMA.

(b) The severity of the breach and detriment to NatWest customers. In particular, the CMA notes that the breach affected 956 SMEs over a period of three-and-a-half years.

(c) The actions and proposed actions taken by NatWest to address the breach. In particular, the CMA notes that NatWest has put arrangements in place to refund the 702 customers who incurred fees and have not had those funds repaid. NatWest notes that this may amount to £600,000 in refunded payments.

(d) Previous conduct/breaches. While the CMA is not aware of any previous breaches of the Undertakings by NatWest, it is concerned that the 2014 Agreement (introducing a heightened compliance regime) had been in place for over three years before the breach commenced. It is also of concern that the breach lasted for three-and-a-half years.

(e) The need for further action, including whether this is necessary to address risk of future breaches. The CMA considers that issuing Directions is a necessary and proportionate step when taking into account all of the factors in this case.

16. Given the above, the CMA considers that it is necessary to issue directions to NatWest to give the CMA sufficient reassurance that NatWest will be taking all

appropriate measures to secure on-going compliance. The CMA is therefore directing NatWest to (i) appoint an independent body to conduct compliance audits, and (ii) implement enhanced controls and staff training measures.

17. The CMA provided NatWest with draft directions specifying and describing the steps to be taken by it for the purposes of securing future compliance with the Undertakings. Having considered NatWest's representations, it now issues these Directions.

**The CMA gives these Directions (the Directions) to NatWest Group plc (NatWest) with company number SC045551 and registered address at 36 St Andrew Square, Edinburgh, United Kingdom, EH2 2YB under the Small and medium-sized enterprise (SME) banking undertakings 2002**

**1. Commencement and Duration**

- 1.1. The Directions come into force on 31 August 2022.
- 1.2. The Directions continue to remain in force until such time as they are varied or revoked by the CMA. The variation or revocation of these Directions does not affect the validity or enforceability of any rights or obligations that arose prior to such variation or revocation.

**2. Interpretation**

- 2.1. In the Directions terms have the same meaning as in the Undertakings, unless stated otherwise.
- 2.2. The headings used in these Directions are for convenience and have no legal effect.
- 2.3. The following definitions apply in these Directions:
  - 2.3.1. '2014 Agreement' – refers to the agreement with the CMA signed by the Royal Bank of Scotland Group plc (which has since been renamed NatWest Group plc) agreeing to, among other things, conduct an annual audit of its compliance with the Undertakings.<sup>4</sup>
  - 2.3.2. 'Action Plan' – for the purpose of these Directions means a plan (including milestones where relevant) approved by the CMA of how NatWest shall deliver the requirements of these Directions and containing the detail required by these Directions. A non-confidential version has been published alongside these Directions.
  - 2.3.3. 'BCA' – means a business current account as defined in clause 3(1) of the Undertakings.
  - 2.3.4. 'Breach' refers to the breach of the Undertakings first identified by the CMA on 5 February 2021 in its letter to NatWest.

---

<sup>4</sup> [Link](#) to 2014 Agreement.

- 2.3.5. 'CMA' – means the Competition and Markets Authority.
- 2.3.6. 'Competent and Experienced' member of Relevant Staff refers to Relevant Staff that have a detailed understanding of the Undertakings such that they are able to assess the competence of other Relevant Staff.
- 2.3.7. 'Independent Body' - means an auditor with sufficient expertise to carry out the Initial Assurance Engagement and any Subsequent Assurance Engagements appointed in line with appropriate and relevant standards (e.g. ISA, IIA, ISAE etc) and that is not part of NatWest, and is without conflicts of interest.
- 2.3.8. 'Initial Assurance Engagement' means the initial assurance engagement<sup>5</sup> under these Directions of NatWest's compliance with the Undertakings as described in clause 5.
- 2.3.9. 'NatWest' means NatWest Group plc.
- 2.3.10. 'Potential breach' for the purposes of these Directions, means any incident identified which is likely to have, or has in the past had, an impact on compliance with the Undertakings.
- 2.3.11. 'Relevant Staff' – NatWest's staff including but not limited to all staff that interact with SMEs in branch, telephone, email, online, staff responsible for the marketing and sale of business loans and business deposit accounts for SME customers, including account managers, management staff, policy makers, decision makers for relevant processes, all relationship managers for business banking, staff designing processes for guidance or online documentation for SME products, and any relevant internal auditors, and first, second and third line assurance model staff and external contractors who provide assurance on or work with any products in-scope of the Undertakings.
- 2.3.12. 'Recommended Steps' – the steps included in the Report and approved by the CMA that NatWest should take following an Initial Assurance Engagement or Subsequent Assurance Engagement.
- 2.3.13. 'Recommended Timescale' - the timescale for implementing the Recommended Steps as determined by an Independent Body and approved by the CMA.

---

<sup>5</sup> See the IAASB: [International Standard on Assurance Engagements \(ISAE\) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information | IFAC \(iaasb.org\)](https://www.iaasb.org/).

- 2.3.14. 'Report' – means the report prepared by the Independent Body following the Initial Assurance Engagement in accordance with clause 6 or following any Subsequent Assurance Engagement.
- 2.3.15. 'Training' – means the training on compliance with the Undertakings as set out in clause 14.
- 2.3.16. 'Subsequent Assurance Engagement' – means any further assurance engagement<sup>6</sup> under these Directions of NatWest's compliance with the Undertakings following the Initial Assurance Engagement as described in clause 8.
- 2.3.17. 'Undertakings' - SME Banking Undertakings (Behavioural) 2002. These Undertakings were given to the Secretary of State for Trade and Industry and the Chancellor of the Exchequer under the monopoly provisions of the Fair Trading Act 1973.

### **3. Directions**

#### **3.1. NatWest is directed:**

- 3.1.1. To take all steps within NatWest's competence reasonably necessary or desirable to achieve and maintain compliance with Clause 17 of the Undertakings, including (but not limited to) the full implementation of the Action Plan and to confirm such implementation in writing to the CMA (in line with clause 10 of these Directions). The Action Plan includes ensuring that these Directions are put in place (or, in the case of items already in place at the date of these Directions, ensuring that they remain in place).
- 3.1.2. To comply, at all levels, either directly or indirectly, internally or publicly, in practice or by means of any internal guideline, manual, procedure, terms and conditions or any other similar information, with Clause 17 of the Undertakings.
- 3.1.3. To ensure that effective governance is in place for testing and monitoring ongoing compliance with Clause 17 of the Undertakings.

### **4. Appointment of an Independent Body**

---

<sup>6</sup> See the IAASB: [International Standard on Assurance Engagements \(ISAE\) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information | IFAC \(iaasb.org\)](https://www.iaasb.org/).



- 4.1. NatWest is directed to appoint an Independent Body to carry out an Initial Assurance Engagement and to monitor the implementation of any Recommended Steps that arise from this Initial Assurance Engagement.
- 4.2. The appointment of an Independent Body will be subject to the approval of the CMA, which will be sought in writing by NatWest explaining why its proposed choice of Independent Body is independent of NatWest and set out its competence in the relevant fields.
- 4.3. NatWest is directed to nominate an Independent Body in accordance with the Action Plan no later than within two calendar months of these Directions being issued. Following that, the Independent Body is to be appointed within 10 working days of the CMA confirming in writing that the proposed Independent Body is appropriate.

## **5. Initial Assurance Engagement of all compliance with the Undertakings**

- 5.1. NatWest is directed to ensure the appointed Independent Body carries out an Initial Assurance Engagement of all matters in NatWest relating both directly and indirectly to the compliance of NatWest with the Undertakings and these Directions. NatWest is directed to ensure the Independent Body's Initial Assurance Engagement will:
  - 5.1.1. have its scope agreed in advance between the Independent Body and the CMA, following consultation between NatWest and the Independent Body;
  - 5.1.2. examine in detail all matters of policy, procedure, staff training, staff assessment and staff knowledge of the Undertakings and all other areas (including IT and computer systems) and actions both directly and indirectly relevant to determine whether these policies, procedures, training and staff actions are sufficient to prevent the risk of future breaches of the Undertakings, or whether additional steps need to be taken to reasonably prevent future breaches;
  - 5.1.3. carry out, on the basis of appropriate audit standards, compliance checking of relevant case files, notes on NatWest's system for new BCAs, loans and deposit accounts opened by SMEs from the date of these Directions. NatWest is directed to make relevant information sought by the Independent Body available to the Independent Body to allow it to assess compliance with the Undertakings;

- 5.1.4. examine whether the processes, procedures, policies, guidance and expected staff actions for opening BCA and feeder accounts for SMEs taking out loans or deposit accounts are robust in ensuring they will deliver compliance with the undertakings at present and in the future;
- 5.1.5. be in line with appropriate and relevant standards (e.g. ISA, IIA, ISAE).
- 5.2. NatWest is directed to provide all necessary access to its staff, internal processes, procedures, documentation, computer systems, including providing information and assistance in all relevant matters to allow the Independent Body to determine the necessary scope of its activities, and to carry out all work it deems appropriate to fulfil the Initial Assurance Engagement.
- 5.3. NatWest is directed to use its best endeavours to ensure that the Independent Body begins the Initial Assurance Engagement in accordance with the Action Plan and no later than one calendar month of the Independent Body having been appointed by NatWest.

*The Independent Body's capacity to carry out its specified functions*

- 5.4. NatWest is directed to ensure that the Independent Body's terms of appointment include that it immediately notify the CMA in writing if it considers that it is no longer in a position to effectively carry out the specified functions.
- 5.5. The Independent Body should give its reasons for its opinion, including any supporting evidence available.

*Independent Body's remuneration*

- 5.6. NatWest is directed to remunerate and reimburse the Independent Body for all reasonable costs properly incurred in accordance with the terms and conditions of its appointment, and in such a way so as not to impede the Independent Body's independence or ability to effectively and properly carry out its functions.

## **6. Outcomes of the Initial Assurance Engagement**

- 6.1. NatWest is directed to ensure the Independent Body will prepare a Report to be provided directly to the CMA on the issues referred to under clause 5 above. The Report will need to be prepared in accordance with the timings set out in the Action Plan.

- 6.2. Where processes, procedures and training are not considered sufficient to deliver full compliance with the Undertakings in the future, NatWest is directed to ensure the Independent Body will include in the Report to the CMA, the Recommended Steps for NatWest to implement to improve its compliance processes and procedures.
- 6.3. NatWest is directed to ensure the Independent Body will also include in the Report an appropriate Recommended Timescale for NatWest to implement these improvements, taking into account the benefit to customers and competition from their implementation and what could reasonably be achieved by NatWest using its best endeavours.
- 6.4. NatWest is directed to ensure the Independent Body informs the CMA directly in the event that it uncovers evidence of potential or actual breaches of the Undertakings, both historic and ongoing in nature (unless previously disclosed to the CMA by NatWest).
- 6.5. NatWest shall be provided with a reasonable opportunity to review the Report and produce a written response to the Report to be provided by the Independent Body to the CMA alongside the Report. The CMA will review the Report and any response produced by NatWest and where content, will provide its approval that the Recommended Steps are to be implemented by NatWest in accordance with the Recommended Timescale. The CMA may amend the Recommended Steps and Recommended Timescale where appropriate and reasonable. NatWest will be provided with a reasonable opportunity (at least two weeks) to comment on any amended Recommended Steps and Recommended Timescales before they are finalised.

## **7. Implementation of improvements, oversight and correction by the Independent Body**

- 7.1. NatWest is directed to take the Recommended Steps within the Recommended Timescale in the Report, as approved or amended by the CMA pursuant to clause 6.5. NatWest shall incorporate the Recommended Steps into its Action Plan in accordance with the Recommended Timescale.
- 7.2. NatWest is directed to give the Independent Body all necessary access in order that the Independent Body can monitor the implementation of the Recommended Steps within the Recommended Timescale.
- 7.3. NatWest is directed to ensure that the Independent Body will report directly to the CMA and NatWest (simultaneously) on its oversight on the

progress in relation to the implementation of any improvements set out in its Report on a monthly basis. In this report, it will raise any concerns regarding the implementation and timescales with both the CMA and NatWest.

## **8. Subsequent Assurance Engagement by an Independent Body**

- 8.1. Following the Initial Assurance Engagement and if recommended by the initial Independent Body, NatWest is directed to appoint an Independent Body to carry out a further Subsequent Assurance Engagement of its compliance with the Undertakings and these Directions and to monitor the implementation of any Recommended Steps that may emerge from this Subsequent Assurance Engagement.
- 8.2. The timing of the Subsequent Assurance Engagement is to be determined by the Independent Body in the Report produced for the Initial Assurance Engagement. If approved by the CMA, NatWest is required to incorporate the Subsequent Assurance Engagement into the Action Plan.
- 8.3. A Subsequent Assurance Engagement is subject to the following requirements:
  - 8.3.1. it is to be carried out by an Independent Body but not necessarily the same Independent Body that carried out the Initial Assurance Engagement and NatWest may propose a different Independent Body for CMA approval;
  - 8.3.2. the scope is to be agreed by the Independent Body appointed for a Subsequent Assurance Engagement and the CMA following consultation with NatWest, and may cover processes, policies, procedures, staff training and assessment of staff knowledge of the Undertakings as appropriate;
  - 8.3.3. it must cover any new products or services that have been made available to SMEs since the Initial Assurance Engagement was completed; and
  - 8.3.4. may cover the adequacy of all new processes and procedures introduced in response to these Directions and following previous Assurance Engagements.
- 8.4. The provisions in clauses 5.1 to 5.6 and 6.1 to 6.5 inclusive apply to any Subsequent Assurance Engagement as they do to the Initial Assurance Engagement.

- 8.5. The reporting requirements and the requirement to implement the Recommended Steps in clauses 7.1 to 7.3 inclusive apply to any Subsequent Assurance Engagement as they do to the Initial Assurance Engagement, save that the Independent Body may not include a further Subsequent Assurance Engagement as a Recommended Step in any further Subsequent Assurance Engagement Report if the Independent Body and the CMA conclude that the Recommended Steps included in the Initial Assurance Engagement or any Subsequent Assurance Engagement (as applicable) have been implemented in the Recommended Timescale. If such implementation has taken place, the requirements of clause 16 of these Directions shall apply.
- 8.6. Should the Recommended Steps of a Subsequent Assurance Engagement include a further Subsequent Assurance Engagement, an Independent Body should be appointed to carry out such a further Subsequent Assurance Engagement in accordance with clauses 8.2 to 8.6, unless NatWest is instructed otherwise by the CMA.
- 8.7. NatWest shall not be required to conduct a compliance review under clause 16 of these Directions (or an audit under the 2014 Agreement) in any year where it has appointed an Independent Body to conduct the Initial Assurance Engagement or any Subsequent Assurance Engagement, and where such an Initial Assurance Engagement or Subsequent Assurance Engagement is carried out and reported on fully within that year.

## **9. Communication to SMEs**

- 9.1. Within 12 months of the Directions coming into effect, NatWest is directed to communicate to all its current SME customers that hold a BCA to inform them of the existence of the full range of obligations in the Undertakings and highlighting the CMA's key messaging<sup>7</sup>.
- 9.2. NatWest is directed to ensure that the proposed wording of the communications to SMEs in clause 9.1 including NatWest's proposed method of communication to be used will be submitted in advance by NatWest to the CMA for approval prior to NatWest contacting SME customers.

---

<sup>7</sup> The CMA set out some key messages that the eight banks should use when communicating with SMEs on complying with the Undertakings. The key messages are set out in paragraph 3.10 of the [SME banking 2002 behavioural undertakings: reports on compliance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

- 9.3. NatWest is further directed to contact any SME customer that has been newly identified (through the Initial Assurance Engagement, Subsequent Assurance Engagement or any Annual Review under clause 1 of the 2014 Agreement) as affected by a failure to comply with Clause 17 of the Undertakings, either at present or at any point in the past, in order to communicate to them that the SME customer is under no requirement to maintain its BCA with NatWest in order to retain a loan or business deposit account that fall within the scope of the Undertakings, save where exemptions apply.

## **10. Action Plan**

- 10.1. The Action Plan is to contain timings for when the requirements in clauses 4, 5, 6, 7, 9, 11, 12, 13 14 and 15 are to be completed.
- 10.2. NatWest is directed to complete the actions as set out in its Action Plan as agreed with the CMA.
- 10.3. NatWest is directed to amend its Action Plan to take account of the Recommended Steps and Recommended Timescale arising from the Independent Body's Initial Assurance Engagement and any Subsequent Assurance Engagements. Any such proposed amendments will be submitted to the CMA for approval in advance of changes taking place within NatWest.
- 10.4. Should NatWest seek amendments to the Action Plan, it may write to the CMA, setting out its reasoning and all appropriate evidence to substantiate its views, and the CMA will determine whether it is appropriate to vary either the Action Plan or these Directions, taking into account the impact on customers, competition in the market and the impact on NatWest among other relevant factors.
- 10.5. NatWest is directed to confirm to the CMA in writing when it has completed each action in the Action Plan and provide a quarterly written update for the CMA on its actions in relation to these Directions until all actions required in these Directions and Action Plan have been fully implemented and completed.
- 10.6. A non-confidential summary of how these actions are to be completed, with timescales for completion, is contained in the Action Plan, at Annex A.

## **11. Reporting obligations on NatWest and its staff**

- 11.1. NatWest is directed to:
- 11.1.1. inform all Relevant Staff to report all instances of breaches and Potential breaches of the Undertakings within NatWest immediately on identification;
  - 11.1.2. ensure that its processes and procedures facilitate such reporting and that they do not prevent or limit the ability of staff to report such breaches or Potential breaches;
  - 11.1.3. to the extent not already in place, put in place a comprehensive process for escalating reports of breaches and Potential breaches of the Undertakings swiftly and without any delay within NatWest; and
  - 11.1.4. report all breaches of the Undertakings to the CMA within 14 calendar days of the breach being identified.
- 11.2. The requirements in clauses 11.1.1 to 11.1.4 are to be implemented within the timeframe set out in the Action Plan.

## **12. Ensuring systems support future compliance**

- 12.1. NatWest is directed to develop a checklist which is to be used each time a change to its systems, processes and procedures related to opening or maintaining BCAs, small business loans and deposit accounts for small businesses is proposed. This checklist must include, at a minimum, sign-off by a legal adviser, a representative of the business and one other individual, the identity of whom would be recommended by the Independent Body. All individuals signing off the checklist are to have been trained in awareness and understanding of the undertakings in accordance with clause 14) along with any further safeguards recommended by the Independent Body.

## **13. Annual Reminders and statement of policy to Staff**

- 13.1. NatWest is directed to provide annually to each of its Relevant Staff, a specific and direct written reminder (which covers no issues other than the subject matter of the Undertakings):
- 13.1.1. of all NatWest's substantive obligations under the Undertakings,
  - 13.1.2. that NatWest considers that any breach of the Undertakings or the Directions to be a serious matter, and that appropriate action will

be taken in the event that a member of Relevant Staff fails to comply with the Undertakings; and

- 13.1.3. that all Relevant Staff must complete the Training on an annual basis.
- 13.2. NatWest is directed to provide the text of this written reminder to the CMA within ten working days of its provision to all of its Relevant Staff.
- 13.3. The first such reminder will be provided by NatWest to all Relevant Staff in accordance with the Action Plan and no later than 12 months after the most recent written reminder issued by NatWest to Relevant Staff under clause 2 of the 2014 Agreement.
- 13.4. NatWest is directed to ensure that all internal manuals, guidance, product/loan documentation and associated training materials for communication to all staff:
  - 13.4.1. explain and/or ensure consistency with NatWest's obligation not to require a customer to open or maintain a business current account with specified business loans and/or business deposit account pursuant to the Undertakings (including exceptions to those requirements);
  - 13.4.2. set out the applicable procedures that staff are to follow when dealing with new-to-bank SME customers seeking a loan or business deposit account.

#### **14. Staff training on the Undertakings**

- 14.1. NatWest is directed to prepare suitable Training on compliance with the Undertakings. NatWest must give all Relevant Staff a detailed description of the nature of the restrictions in the Undertakings and explain in full what these mean for the way BCA and business loan and deposit account products are offered to SMEs, and the reasons for the Undertakings being in place (the promotion of competition).
- 14.2. NatWest is directed to ensure it includes in its Training materials a hyperlink to the Undertakings.
- 14.3. NatWest is directed to ensure that the Competent and Experienced Relevant Staff are involved in overseeing the design and implementation of the Training.



- 14.4. NatWest is directed to ensure that all Relevant Staff must receive the Training in accordance with the Action Plan and no later than 12 months from the date of any training issued during 2022 in compliance with NatWest's prior obligations set out under the 2014 Directions.
- 14.5. Relevant Staff are to receive Training at least once annually.
- 14.6. NatWest is directed to maintain all final versions of materials developed for staff Training, internal staff policy guidance, product loan documentation and relevant manuals on an on-going basis and ensure these are relevant and up to date and fully compliant and are consistent with NatWest's obligations under the Undertakings.

## **15. Assessment of staff knowledge of the Undertakings**

- 15.1. NatWest is directed to ensure that:
  - 15.1.1. a formal assessment for Relevant Staff is prepared in conjunction with the Training and must be conducted on an annual basis by all Relevant Staff;
  - 15.1.2. the assessment is to be carried out annually by all Relevant Staff within 5 working days of completing the Training under clause 14 above. Should any Relevant Staff fail the formal assessment after two attempts, NatWest is directed to ensure re-training is provided to the staff member;
  - 15.1.3. the assessment will involve a minimum of 15 questions, where at least 5 questions representing one third of the scores are allocated for demonstrating a full understanding of the provisions of the Undertakings in abstract. In addition, at least 10 questions representing two thirds of the scores are allocated to demonstrating a full understanding of matters relating to the Undertakings in applied situations relevant to NatWest. These applied scenarios will include a range of breaches uncovered and highlighted by the CMA in its previous annual reports and compliance and enforcement work;
  - 15.1.4. Competent and Experienced members of Relevant Staff will be involved in overseeing the marking of the assessment;
  - 15.1.5. the pass mark for the assessment will be set no lower than 90% for all Relevant Staff; and

- 15.1.6. electronic copies of all assessments undertaken and the mark assigned will be retained by NatWest for review by an Independent Body for at least 24 months after completion. Once NatWest is no longer required to carry out a Subsequent Assurance Engagement, this requirement to retain assessments will cease.

## **16. Monitoring and Compliance and provision of information**

- 16.1. NatWest is required to conduct annually a compliance review of its compliance with Clause 17 of the Undertakings, specifically including the following elements:
  - 16.1.1. the policies, practices and procedures (including those related to training) which NatWest has in place to secure compliance with Clause 17 of the Undertakings;
  - 16.1.2. the awareness of Relevant Staff with the obligations created by Clause 17 of the Undertakings; and
  - 16.1.3. other evidence suggesting the presence or absence of actual or suspected non-compliance with Clause 17 of the Undertakings (including a file review of new-to-bank SME loans and business deposit accounts, a review of customer complaint data or data available from internal escalation processes for internal concerns).
- 16.2. Such a compliance review must be conducted, outside the area of NatWest which is directly responsible for the provision of banking services to SMEs, by the internal audit function of NatWest, in accordance with the Code of Professional Conduct of the Chartered Institute of Internal Auditors.
- 16.3. NatWest is directed to provide all information required by these Directions when requested in writing by the CMA within reasonable timescales that will be set out by the CMA.

Adam Land  
Senior Director  
Signed by authority of the CMA Board  
31 August 2022