



# Small businesses sue Clydesdale Bank over fixed-rate loans

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A group representing more than 100 small businesses is suing Clydesdale Bank and its former owner National Australia Bank alleging misrepresentation by the banks over the sale of small business loans. The lawsuit, which has been filed at the High Court, alleges that small business customers taking out fixed-rate loans — known as tailored business loans — were unaware that the interest rates had been inflated by hidden margins. In its claim RGL Management, which is managing the group claim for the small companies, is alleging deceit, misrepresentation and breach of contract by the banks — including misrepresentation of a contractual ability by the banks to charge a break fee if the loan were terminated early.

The first claim has been issued on behalf of 140 small businesses but the claim group consists of 2,000 small companies including a number that were driven into insolvency. No value has been put on the value of the legal claim.

Any trial is likely to first examine whether there is any liability by the banks before determining any compensation. RGL Management brings complex lawsuits against banks on behalf of small businesses and its lawsuit against Clydesdale is backed by Augusta Ventures, a litigation funder. Banking disputes are attracting litigation funders, which back legal disputes in return for a slice of any future compensation if they win at trial.

Garbhan Shanks, partner at Michelmores, the law firm representing RGL, said: “This is the first multi-party claim against a bank by its customers since the financial crash. We are confident this action will secure substantial compensation for the claimant group.”

CYBG, the Edinburgh-based owner of Clydesdale and Yorkshire Bank which recently acquired Virgin Money, said it had not yet seen the claim. It added in a statement: “We strongly refute any suggestion Clydesdale Bank has not fully investigated historic cases involving SME [small and medium-sized enterprise] customers . . . These allegations are not accepted by the bank and will be defended in the strongest terms possible.”