

Clydesdale ups it's provisions on TBL redress- More to come?

Whilst the headlines were about an increase in it's PPI provisions, the numbers were all about Tailored Business Loans.

The omnishambolic bank announced on Wednesday that it is providing a further £250m in relation to interest rate hedging products, for which we read, for its Tailored Business Loans of mostly the structured variety, but also partly for the fixed rate variety.

Poor old National Australia Bank; this is a headache that they don't want as they wish to divest themselves of Clydesdale and Yorkshire but at a price that simply does not stack up.

We believe that the provision is still not large enough, and is set to be increased further. Our initial estimate a few months back was that the size of the TBL problem was £500m more than provided for at the time. The Bank has now provided £1.2b against losses and claims under PPI and TBLs combined, and this has dented the profitability of the parent by 14% already.

Clydesdale has been slow to come to terms with its own particular brand of mis-selling, and it has so far dodged the bullet of an FCA review by throwing a bone to the regulator by agreeing to review the two structured TBLs, the Modified Participating Fixed Rate Loans and the Discounted Range Rate Fixed Rate Loans.

Outside of these two, the Fixed Rate TBLs are increasingly looking vulnerable, and the Financial Ombudsman Service has itself recognised, at least partially that there was a lack of proper articulation of potential break costs. Our own view is that the bank will be happy enough to be part of that party; a tug of war involving 'you said, we said' and its new provision of £250m essentially provides for expected losses based on those types of arguments. What the bank has not woken up to yet, is a whole new raft of claims predicated on more forensic analysis. It's a good job that National Australia Bank is performing well in its own back yard, as our view is and has been for a good while, that there are more provisions to come.

Best Regards
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