BANKCONFIDENTIAL

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By email only

Dear Chair and Members of the Finance Committee,

We have been asked to provide you with a brief summary of our report on the UK banks use of hidden credit lines on interest rate hedging products (IRHP), including interest rate swaps and fixed rate loans.

Summary of BankConfidential Report

Hidden Credit Lines: The Largest Fraud Anywhere Ever

This Report, published by BankConfidential in November 2025, exposes what it describes as systematic fraud by major UK banks, particularly the NatWest Group (NWG formerly the Royal Bank of Scotland (RBS)) and in particular its subsidiary, Ulster Bank, involving hidden credit lines attached to interest rate swaps and fixed-rate loans sold to small and medium-sized enterprises (SMEs) in Northern Ireland and Ireland, between 2007 and 2012.

Core Allegations

The Hidden Credit Line Mechanism: Ulster Bank (and other banks) sold interest rate swaps and fixed-rate loans to SMEs, ostensibly they said to “protect” them from rising interest rates. However, these products contained undisclosed credit line liabilities that were:

- Secretly recorded against customers' accounts from day one.
- Covered undisclosed large day one commissions (added value).
- Secured against customers' property through "all monies charges".
- Never disclosed to the customers.
- Counted towards loan-to-value (LTV) covenants.
- Ruined their credit grades when rates dropped, as the ‘debt service cover’ (cost of debt against prevailing interest rates) made the debt unaffordable on their calculations.

How It Worked:

1. Banks added hidden margins to swap rates (e.g., charging 6% when market rate was 5.5%), creating immediate "Added Value" profits ranging in size depending on loan size.
2. These profits, plus "Potential Future Exposure" (risks of further losses) calculations, were booked as credit lines in customers' names.
3. When interest rates fell in 2009, these hidden liabilities ballooned.
4. Customers' credit grades deteriorated, despite maintaining payments.
5. This triggered defaults and transfers to "restructuring" divisions the Global Restructuring Group (GRG).

Imagine a typical case.

In 2008 a small business buys a £2m factory. The bank lends £1m on a mortgage and £200k overdraft. On paper the loan-to-value is only 60% – well within the bank's 70% limit.

To "protect" the business from rising rates, the bank sells a 10-year fixed rate. Market rate is 5.5%, but the bank quietly adds 0.5%. The customer pays 6%, thinking it's standard. Over 10 years on £1m, that extra 0.5% is roughly £50k profit to the bank.

Inside the bank, that profit is not treated as a simple fee. They project the whole 10-year profit upfront and park it, plus a buffer, in an internal, undisclosed "swap credit line" – for example £100k–£150k. It is effectively a second overdraft, invisible to the customer, used solely to book hidden swap profits and risk.

Then rates collapse to 0.5% in 2009. The customer is still fixed at around 5.5–6%. The projected loss versus the new variable rate blows out – say another £450k–£500k over the remaining term. Under FSA/FCA rules, the bank must now recognise this as a credit exposure if the borrower defaults, and they add a further 15–20% buffer.

So, inside the bank's systems, the small firm that thinks it owes £1.2m is suddenly treated as if it carries £1.7m–£1.8m of exposure – now way over the 70% LTV limit and classed as distressed. But none of this has been disclosed: they were told it was a "no premium" product.

The bank then sends in a valuer who marks the factory down from £2m to, say, £1.3m. Overnight, on the revised valuation, even the visible £1.2m borrowing looks like 92% LTV, and the hidden swap exposure makes the position hopeless. The customer is pushed into GRG, stripped of cash, and forced into insolvency.

The factory is sold at a "fire sale" – perhaps £900k – often to the bank's own property arm (with RBS West Register) which then books it back at or near £2m and borrows against it as a prime, government-backed asset.

In short: undisclosed swap credit lines quietly turn safe 60% LTV loans into engineered insolvencies. The SME loses everything. The bank takes the swap profit up front, seizes the asset on the cheap, and books it at full value.

These events are not imagined; this happened to tens of thousands of businesses in RBS and Lloyds who between them put £600 billion of loans into their Non-Core divisions in January 2009 to be de-banked and asset stripped. RBS Non-Core division alone consisted of 3m customers and because of the additional risks of the Ulster Bank Fixed Rate Loan (FRL) Fraud, where they used swaps that were not required on FRLs to pass bank credit risk to customers, all Ulster Bank customers were in that division and targeted for destruction.

Scale and Impact

The Report alleges:

- Tens of thousands of viable SME businesses were destroyed.
- £40-£50 Billion was wrongfully extracted from customers.
- Many business owners lost their companies, homes, and in some cases their lives.
- The fraud was concealed through multiple regulatory reviews.

The UK regulator, the Financial Conduct Authority (FCA), used its powers under the Financial Services and Markets Act (FSMA) to control the so-called “Skilled Person” reviews of Interest Rate Hedging Products (IRHPs). In practice, the FCA directed all Skilled Persons not to examine the hidden swap credit lines and associated credit risk. That single instruction removed the largest element of loss from the review and quietly capped the compensation exposure of the major UK banks.

Regulatory Failure

The Report extensively criticises the Financial Conduct Authority (FCA), alleging:

- Four major reviews (IRHP Review, GRG Review, FCA investigation, Irish Oireachtas Banking Inquiry) failed to uncover the fraud
- Deliberate suppression of whistleblower evidence
- Misleading statements to Parliament
- Protection of banks rather than customers
- Particular criticism of Andrew Bailey's handling when he was FCA Chief Executive

Ulster Bank Northern Ireland - Specific Fraud

The Report details a separate fraud in Northern Ireland where Ulster Bank sold ordinary "fixed-rate loans" that also contained hidden derivative credit lines, despite these being marketed as simple loans. The report alleges this constitutes criminal fraud and was deliberately excluded from UK and Irish regulatory reviews.

Evidence Base

The authors, Mark Wright and Steve Middleton (former bankers turned whistleblowers), cite:

- Internal bank documents and credit files
- Testimony from numerous current and former bank employees
- Evidence from derivatives experts, lawyers, and mathematicians
- Support from MPs including Sir Norman Lamb

Calls to Action

The Report demands:

1. A judge-led public inquiry with full transparency
2. Immediate protection for victims, through a pause on enforcement actions
3. An independent compensation framework
4. Investigation of regulatory failures and specific officials
5. Full restitution of stolen funds with interest

Endorsements

The Report includes endorsements from Sir Norman Lamb (former MP and Minister), journalist Ian Fraser (who exposed the HBOS Reading fraud) and derivatives experts, including a Cambridge mathematician. Certain affected customers also describe the devastating impact on their businesses and lives.

The report characterises this as potentially "the largest theft anywhere, ever" (quoting MP Clive Lewis) and positions it as a systematic program of asset-stripping, enabled by regulatory capture and protected by institutional cover-up.

I hope the above is useful in providing a synopsis of our report, should you need any further information please do not hesitate to contact us.

Yours sincerely,

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For and on behalf of BankConfidential

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