

Business lending U-turn at Nationwide

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The building society will return a £50 million grant that it received to help to fund a move into business lending

Nationwide Building Society has halted plans to enter the market for business lending because of the coronavirus crisis and will hand back a £50 million grant that it won to fund the expansion.

The money came from the £775 million fund paid for by Royal Bank of Scotland to boost competition and service in the business banking market as a punishment for its bailout during the 2008 financial crisis.

Nationwide also said that it would not take part in a scheme to encourage small businesses to switch from RBS — the largest small business lender in Britain — to other banks.

Joe Garner, 50, chief executive of Nationwide, said: “Covid-19 has changed the medium-term interest-rate landscape, meaning that the business case for entering the market is no longer viable.” The Swindon-based Nationwide is Britain’s largest building society, with 15 million members and customers.

Scrapping plans to offer business accounts will cost Nationwide about £70 million in the short term but over two years the impact will be neutral, owing to savings on investment, it said.

The scheme to distribute the RBS fund has been hit by setbacks. Metro Bank, which received £120 million, has returned £50 million after slashing expansion to help to cope with the costs of accounting mistakes.

Banking Competition Remedies, the body set up to distribute the RBS fund, will make the sum from Nationwide and Metro available to lenders. They will need to apply, with details of the criteria to be given this month. Oliver Prill, 48, chief executive of Tide, a digital lender to smaller companies that won £60 million from the first round of grants, said: “We stand ready to be part of that.”

Banking Competition Remedies is also changing the terms of the switching scheme to encourage businesses to move to new providers but allowing banks to pay dowries up front.

However, John Cronin, an analyst at Goodbody, said that the scheme was “likely to crawl from here” and noted that Virgin Money had told its investors that it would focus on its own customers before seeking new ones from RBS.

Nationwide has said separately that it will review its pay policy for its financial year that ends today in light of a call from Sam Woods, chief executive of the Prudential Regulation Authority. “We will comply with the PRA’s request to pay no cash bonuses to senior management (and those deemed as material risk-takers) in 2020,” it said