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CEO severance pay risks NatWest's legal and reputational standing

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From Nigel Farage's controversial account closure to CEO resignations, David Greenhalgh explores how NatWest is navigating a public relations and legal minefield

Serious news journalists often apply the phrase 'silly season' to describe the period after the House of Commons has adjourned for its summer recess. But there is no respite for them as newspaper columns that are largely devoted to politics still need to be filled.

Earlier this summer, one national story with a political twist came to the rescue – the seemingly endless saga of former Brexit party leader Nigel Farage and his Coutts bank accounts. Notably, this centred on a decision by the bank's Wealth Reputational Risk Committee that his mortgage, professional and personal accounts would be "exited" from July 2023. At the heart of the Farage fiasco was the question of why and how Coutts reached that decision.

In a front-page splash on Thursday 20 July - the day when The House of Commons adjourned for its summer recess - the Daily Telegraph reported what Dame Alison Rose, CEO of NatWest Group which owns Coutts, had to say about the matter. According to Rose, comments made about Farage by Coutts staff and reported by the media, justifying the closure of his accounts were "deeply inappropriate".

Further details emerged in her letter to Farage. "I am writing to apologise for the deeply inappropriate comments about yourself," she wrote, adding: "I would like to make it clear that they do not reflect the view of the bank." Rose did not, however, reveal the source who had briefed the BBC's business editor, Simon Jack, that Farage had been de-banked for "commercial reasons" – specifically, that he had fallen below the bank's minimum wealth threshold.

But according to a 40-page dossier based on documents disclosed by Coutts to Farage, following his Freedom of Information request, the decision to close his accounts was made in part because his views were deemed to be incompatible with the bank's "values or purpose".

On 25 July, Rose further acknowledged she had made a "serious error of judgement" and admitted that she was the source who had discussed details of Farage's Coutts accounts with BBC business editor Simon Jack. On the same day, she resigned as CEO of NatWest..

What had begun as an objectively silly story about the closure of one man's bank account had now become much more serious. The fact that the UK government is a 39 per cent shareholder in NatWest may well have been a key factor in Dame Alison's decision to resign given the wave of fierce criticism from Conservative MPs over the bank's behaviour towards Farage.

Their anger became even more vociferous over the issue of her right to a compensatory package from the bank following her resignation as they demanded that she must not receive a penny. Sir Jacob Rees-Mogg, the former business secretary, told The Telegraph that while Rose should keep her pension, "she shouldn't get any severance pay".

Coincidentally, MPs' own compensation packages awarded when leaving their posts also made headlines this month. IPSA, the UK parliament expenses watchdog, announced a doubling of "winding-up pay" to MPs who lose their seats, entitling them to £17,300 on top of their "loss of office" pay, which is set at twice the rate of statutory redundancy pay.

The amount of severance pay paid to Rose exposes NatWest to greater reputational risk, particularly since serious money is at stake. Last year, Rose's remuneration totalled £5.25m, including fixed pay of £2.43m and bonuses worth £2.82m. Aged 53 and with only four years in the CEO role, she might reasonably have expected another decade in the top job.

In a note to investors following Rose's departure NatWest said it will be paying her £1.15m salary/notice for the year, along with a further £1.15m in shares in the bank, which she will receive over the course of five years. She also will receive pension payments of £115,566, meaning that the total exit package is worth around £2.4m.

It is rare for bank CEOs to leave their position under a cloud while in the full glare of media and public scrutiny. One of the most prominent figures to do so since the global financial crisis was Bob Diamond, former CEO of Barclays. When he was forced to resign over the LIBOR rigging scandal in 2012, Diamond lost his bonus and waived all of his unvested deferred bonus awards worth up to £20m as well as any long-term share awards. Nevertheless, he still received about £2m in severance pay, which included £1.4m salary/notice.

More recently, Jes Staley, the former chief executive of Barclays, suddenly quit in 2021 amid a regulatory probe into whether he had mischaracterised his relationship with the disgraced paedophile financier Jeffrey Epstein. He received £2.4m in fixed pay and a £120,000 pension contribution. But, unlike NatWest, Barclays chose to release financial details of Staley's exit deal on the same day that it announced his departure.

Of course, similar scenarios exist beyond the finance sector: those in very senior positions rarely step down from their roles with empty pockets, even where there has been misconduct. Their exit terms are often reached under a settlement agreement, since both sides are invariably anxious to avoid the cost of potential litigation as well as the adverse publicity that would inevitably ensue.

In all sectors it is quite common for scapegoating to occur where a senior head needs to roll in order to protect the organisation which must be seen to be dealing with the issue seriously to try and stop further damaging media coverage. As a result, such an agreement often includes a cohesive narrative around the departure that either benefits, or is at least acceptable to, both parties. NatWest has said that Rose's severance pay package remains under review while it completes its investigation into her actions during the Farage fiasco.

If Rose is found to have acted in a way which the bank condemns it may want to reduce details of the exit package above and its ability to do so will very much depend on the terms of any settlement agreement it has already reached with Rose. Any finding of fault by Rose will inevitably lead to further reputational damage for the bank and for further calls that she should not receive any exit pay.

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