RBS to cap increases in pensions for 60,000 workers

Banking giant Royal Bank of Scotland - run formerly by Sir Fred Goodwin - is planning to cap increases in the pensions of over 60,000 workers in a "body blow" to its staff, it has been disclosed.

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Sir Fred Goodwin was forced to give back more than £200,000 of his annual pension Photo: Daniel Jones

The bank announced a series of proposed changes to its main final salary pension schemes, including capping the amount of salary increases that is pensionable to 2 per cent annually or the rate of inflation, whichever is lower, and reducing the lump sum payable on early retirement.

The Unite union said that against the backdrop of the "bumper" pension paid to former RBS boss Sir Fred Goodwin, the planned changes added "insult to injury".

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RBS head of human resources Neil Roden said: "The rising cost of pension provision is an issue for RBS and for all companies at this time. Only one third of our staff are members of the UK defined benefit pension scheme, which we closed to new members in 2006.

"This is an expensive scheme for our shareholders to fund and a generous one in comparison to the market. The reforms we are consulting on seek to strike a balance between reducing the costs and future liabilities of the scheme to the Group, with doing what we can to protect the welfare of existing staff and scheme members.

"It is a pragmatic and necessary course of action and not a decision the Board have taken lightly."

Unite said its senior representatives at the bank would meet on Thursday to decide the "most appropriate course of action" to take in response to the announcement.

National officer Rob MacGregor said: "This is a body blow to tens of thousands of staff working at RBS. The company intends to cap pensionable future pay rises and promotions at 2 per cent which will erode workers' pensions over time.

"Unite will support its members in any action they choose to take to defend their pensions. The union will be meeting again with RBS and we expect there to be meaningful negotiations over these changes.

"Against the back drop of Sir Fred Goodwin's bumper pension these planned changes add insult to injury to workers paying the price for a crisis for which they hold no responsibility.

"RBS staff, who already face great uncertainty in the face of major job losses, now face a future with retirement benefits severely reduced."

RBS is also proposing to reduce the severance terms for those workers over 50 who choose to take an immediate pension.

The bank opened consultations with Unite on the proposed changes, which are expected to be completed before the end of November.

Liberal Democrat Scotland spokesman Alistair Carmichael said: "Considering Fred Goodwin managed to get away with much of his massive pension despite his catastrophic management of what was the UK's largest bank, it seems a little tough that it is those whose jobs he endangered who have to make savings.

"It is right that a state-owned bank such as RBS should look at what savings it can make. But any belt-tightening should start at the top.

"This will doubtless be bad news for many employees in Scotland, and makes the Government's inability to stop Goodwin's substantial pay-off all the more difficult to swallow."

Sir Fred Goodwin took a pension of £703,000 when he left the bank, although he has since agreed to lower his pension income to £342,500 a year.

RBS, which is 70 per cent-owned by the taxpayer, closed its final salary scheme to new members in 2006