



From Lord Berkeley 07710 431542, tony@tonyberkeley.co.uk

Yasmine Jetha
Chair, Group Sustainable Banking Committee
Natwest Bank plc
6 October 2023

Dear Yasmine,

Lombard loan to the Isles of Scilly Steamship Company (IOSSG)

I wrote some months ago to your Chair, Sir Howard Davies, about the wisdom of your bank offering a loan of around £35m to the above company for the construction of new ships to operate in and around the Isles of Scilly and adjacent mainland. Since then, the company has announced progress in ordering the ships to be built in Vietnam and finished in France to operate from the 2026 summer season.

I understand that the loan to the IOSSG was subject to a statement by the company that it expected to remain as sole operator for the foreseeable future. Clearly that would improve the ability of the company to repay the loan and pay the interest required on it. You will now be aware that Harland and Wolff have announced their intention both to bid for the £48m on offer from the Government's Levelling Up fund (an option rejected by IOSSG) but that H&W will also start a summer-only higher speed service between the mainland and St Mary's next summer in competition with IOSSG. This will of course abstract a large amount of revenue from the IOSSG at a time when the company normally expects to build up a good surplus to fund Skybus over the winter.

I do not know whether this will affect the company's ability to service the loans from Natwest.

Secondly, the refusal of IOSSG to apply for the £48m levelling up fund will inevitably mean that passenger fares and freight charges will be very much higher than the present single fare that starts at £76, in order to provide enough income to service the Natwest/Lombard loan. Ministers have stated that these higher fares and charges can only have a very serious and adverse effect on the economy of the Isles of Scilly, and runs contrary to the purpose of the successful Levelling Up bid offer which was designed to mitigate the inevitable higher costs of living on the islands.

I find it particularly odd that your bank, which I believe is 38.6% owned by the Government, is contributing to exacerbating the economic failure that awaits Scilly by providing a large loan to one operator which not only refuses to take part in a competitive bidding process to receive the £48m Levelling Up grant, but wishes to proceed with its own privately financed ship build which is likely to mean that the Levelling up funding offer will be withdrawn by the Treasury.

Your Bank's Annual Report and Accounts for 2022 gives several examples of its community involvement:

'We champion the potential of the people, families and businesses we serve...we can provide the support and security our customers, colleagues, economy and society need'. (Chief Executive's Review pp 6 to 9)

In the Conclusion, you state '2022 has shown us the importance of being a purpose-led bank...putting in place proactive support to help those who are most vulnerable.'

And in respect of Stakeholder engagement...

The UK Government's levelling up agenda for strengthening communities, supporting diverse entrepreneurs, removing barriers to enterprise, providing access to our wide range of partners, business accelerator hubs, and our thought-leadership material.'

It would seem to me that your bank, by continuing to support the provision of a loan to a monopoly when there is competition, to a company which refuses to participate in a competitive tendering process to receive what I believe is the largest ever offer of Levelling Up grant funding of £48m, and which as a result is likely to weaken rather than strengthen the communities it serves, and goes totally against what you claim to be a 'purpose-led' bank' but in this case providing a loan which can only have a serious and adverse effect on the 'most vulnerable' you claim to support.

I do urge your bank to reconsider this offer of a loan and encourage the IOSSG to participate in what is after all a standard government procurement process to ensure best value for money for the taxpayer, who is after all a major NW Shareholder.

I am of course happy to meet to discuss these issues further, and am copying this letter to Sir Howard Davies and Rick Haythornthwaite.

A handwritten signature in black ink, appearing to read 'Tom Smith' followed by a large, stylized flourish that extends across the line.

Lord Berkeley