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News release

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PRA takes enforcement action against former Co-op Bank individuals

The Prudential Regulation Authority (PRA) has today prohibited Barry Tootell, the former Chief Executive (CEO) of the Co-operative Bank Plc (Co-op Bank) and Keith Alderson, the former Managing Director of the Co-op Bank's Corporate and Business Banking Division, from holding a significant influence function in a PRA-authorized firm for breaches related to the running of the Co-op Bank. The PRA has also fined Mr Tootell £173,802 and Mr Alderson £88,890.

In August 2015, the PRA publicly censured the Co-op Bank for, among other things, failing to have in place adequate risk management systems. The PRA found that the Co-op Bank's failings had the potential to weaken the firm and reduce its resilience.

Barry Tootell

The PRA has concluded that, between 1 January 2009 and 10 May 2013, Mr Tootell did not exercise due skill, care and diligence in carrying out his role as Chief Financial Officer and later CEO.

In particular, between 22 July 2009 and 10 May 2013, Mr Tootell was centrally involved in a culture within the Co-op Bank which encouraged prioritising the short-term financial position of the firm at the cost of taking prudent and sustainable actions to secure the firm's longer-term capital position.

The PRA also finds that, from 1 August 2009 (the date of the merger with Britannia) until 1 October 2012, Mr Tootell did not take adequate steps to ensure that the Co-op Banking Risk team, for which he was ultimately responsible, was properly structured and organised to enable it to provide proper independent challenge and guidance to the first line business of the Co-op Bank.

As CEO, Mr Tootell played a significant role in the Co-op Bank managing its finances and capital position in a manner that was not in line with the firm's own stated cautious risk appetite.

The PRA considers that a robust and effective risk management culture and a strong control framework are of fundamental importance in ensuring a bank's safety and soundness.

Keith Alderson

The PRA has concluded that, between 1 August 2009 and 13 May 2013, Mr Alderson did not exercise due skill, care and diligence in carrying out aspects of his role as Director of Corporate Banking and later the Managing Director of the Corporate and Business Banking Division.

In particular, between 1 August 2009 and 13 May 2013, Mr Alderson did not take reasonable steps to ensure that Co-op Bank adequately assessed risk arising across the Britannia Corporate Loan Book. The PRA also finds that between 1 August 2009 and January 2011, Mr Alderson did not escalate specific risks inherent in the Britannia Corporate Loan Book sufficiently clearly to Co-op Bank's formal risk management processes. As a result, the risks could not properly be considered, and nor could the appropriate actions be taken to mitigate them.

The Co-op Bank's culture resulted in an environment in which some staff felt under pressure to meet impairment forecasts that had previously been set. Mr Alderson did not always ensure that impairment budgets and forecasts were set solely by reference to an assessment of the risks within the Corporate Loan book. Also, on some occasions where budgets and forecasts were at risk of being exceeded, Mr Alderson challenged staff on the level of proposed impairment figures. The PRA accepts that Mr Alderson did not intentionally place any member of Co-op Bank's staff under pressure to modify impairment figures in a way which was improper. However, on some occasions Mr Alderson's challenge led to the result that a more optimistic view on the impairment position was ultimately taken than would otherwise have been the case.

Mr Tootell's and Mr Alderson's breaches had the clear potential to affect the safety and soundness of the Co-op Bank and the PRA has concluded that they are not fit and proper persons to carry out a significant influence function at a PRA-authorized firm on the grounds of a lack of competence and capability.

In making these findings, the PRA recognises that Mr Tootell and Mr Alderson did not deliberately or recklessly breach regulatory provisions and no findings of dishonesty or lack of integrity are being made in relation to them. The PRA also acknowledges that, by settling these cases, Mr Tootell and Mr Alderson have accepted responsibility for the fact that they have fallen short of the standards the PRA expects.

Andrew Bailey, Deputy Governor, Prudential Regulation, Bank of England and CEO of the PRA said:

"Banks that are not well governed have the potential to pose a threat to UK financial stability. The actions of Mr Tootell and Mr Alderson posed an unacceptable threat to the safety and soundness of the Co-op Bank which is why we have decided a prohibition is appropriate in these cases. This action makes clear that there are serious consequences for senior individuals who fall short of the PRA's expectations. The new Senior Managers Regime, which will be introduced in March, will further ensure that senior managers are held duly responsible for their actions."

As Mr Tootell and Mr Alderson settled with the PRA at an early stage a 30% discount was applied, which reduced the financial penalty for the breaches from £248,289 to £173,802 for Mr Tootell and £126,986 to £88,890 for Mr Alderson.

ENDS

Notes to Editors

- 1) [Final notice for Mr Tootell.](#)
- 2) [Final notice for Mr Alderson.](#)
- 3) [Co-operative Bank censure final notice \(August 2015\).](#) The PRA found that Co-op Bank had a flawed control framework, inadequate risk management framework policies and inadequate capital management and corporate lending policies and procedures. This meant that the firm did not adequately consider the level of risk it assumed and therefore did not have the capability to manage that risk.
- 4) The PRA investigation was carried out with support from a team of investigators from the Financial Conduct Authority.