



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sir Fred Goodwin

26 February 2009

Dear Sir Fred

I am replying to your letter of earlier today, in which you informed me of your decision not to volunteer a reduction in your pension. I consider this unfortunate and unacceptable. As I made clear yesterday in our phone call, I think such an act would be an appropriate recognition of the failings of RBS under your tenure and the subsequent support the Government has provided.

As I have already made clear, it was only last week that the Government became aware that the decision of the previous Board of RBS may have been a discretionary choice.

Once we became aware of this issue, UK Financial Investments (UKFI) has, on behalf of the Government, been vigorously pursuing with the new Group Chairman whether there is any scope for clawing back some or all of your pension and whether, at the point the Board made their decision, it was made clear to the then remuneration committee and Board that the scale of the pension payment was discretionary, as it now proves to be.

On the other points you raise in your letter, it is true that I expressed concerns over your 12-month notice period and certain share-related awards. I welcomed your decision then to waive both these amounts. That did not amount to



approval of your pension arrangements given that, as I have outlined, I was unaware of any scope for discretion.

I do not agree with your rationale for declining my request that you voluntarily reduce your pension. And indeed I hope that on reflection you will now share my clear view that the losses reported today by the bank which you ran until October cannot justify such a huge award.

PAUL MYNERS
FINANCIAL SERVICES SECRETARY TO THE TREASURY