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NatWest three guilty plea may hit RBS

LEGAL EXPERTS warn Royal Bank of Scotland, which owns NatWest, is now more exposed to compensation claims following Wednesday's guilty plea from three former NatWest bankers extradited to America to face fraud charges, writes Rupert Steiner.

In a plea bargain David Bermingham, Gary Mulgrew and Giles Darby, admitted to conspiring with former Enron staff to cheat NatWest out of £9m from which they would share £3.3m. They face a prison sentence and are required to pay back the £3.3m.

Enron shareholders have already lodged a class action in which RBS is included and there are expected to be individual claims as well.

But RBS faces an increased risk. If it chooses to accept the £3.3m award about to be rubber stamped by the court, it is likely to force the three into bankruptcy.

Industry sources suggest they would have nothing to lose by then assisting investors in their claim against the bank.

RBS has never either defended its employees or filed a criminal complaint against them, which would have made the crime a British matter. Instead they were controversially extradited.

The class action – where a number of litigants get together to file one lawsuit – is currently staid and awaiting a Supreme Court ruling.

Steven Philippsohn, founder of PCB Litigation, which specialises in complex international fraud, said: 'Clearly, in any civil case where you are alleging fraud and someone has admitted guilt it does help your case under English law. It won't harm the investor group that they (the Natwest Three) have pleaded guilty.'

Paul Lomas, a partner at Freshfields, warned the three should be wary of helping any class action.

'Generally speaking, the employees owe duties of confidentiality to their employers,' he said. 'But obviously that may only go so far.'

The guilty plea will also have wider implications for alleged Anglo-American frauds. Ian Norris, former chief executive of Morgan Crucible is fighting extradition for price-rigging.

Charles Evans, a partner at Norton Rose, said: 'Now that the US authorities can claim a scalp, and they [the NatWest Three] have accepted a guilty plea, it is not going to discourage the Americans from pursuing other such cases in the future.'