

Sunday Mail

Troubled RBS faces £200m losses over financial chaos in Dubai

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INSIDERS at RBS last night revealed the bank faced losses of at least \$200million because of the financial chaos in Dubai.

But sources at the bank - largely owned by taxpayers - denied that they would have to write off \$1.4billion on loans they had arranged with crisis-hit Dubai World.

They claimed that much of the debt had been repackaged and sold on to other lenders.

But well-placed sources admitted the bank were exposed to potential losses of \$209million.

It is the latest blow for troubled RBS who have been given \$45billion by the Government to protect them from collapse after the recession.

No one at RBS would comment publicly, but an insider claimed: "The bank helped arrange \$1.4billion of loans to state-owned Dubai World, but passed most of the loans on to other lenders.

"RBS are likely to have taken on 15 per cent of the loans, exposing them to a possible loss of \$209million."

Dubai World stunned the financial world on Thursday by asking for a six-month break from \$49billion of debt repayments.

But the RBS insider said the bank had been in discussions with Dubai World about their level of debt for more than two months.

The insider said: "We had already caught the fact that Dubai World may have problems and we were talking about what to do about it."

Yesterday, it was claimed that the neighbouring United Arab Emirates may step in and guarantee the debt.

There was also a pledge that Abu Dhabi could provide a bail out on a "case by case" basis.

The Dubai government sent global markets into crisis after it asked creditors of Dubai World, the state-owned private building company, for a six-month standstill on \$60million of debt.

Oil-rich Abu Dhabi is one of the world's wealthiest countries and financing a bail-out would not be a problem.

But it is believed to be unwilling to pour more cash into its neighbour's struggling property sector, whose showpieces include the towering Burj al Arab, the world's most expensive hotel.

Yasser el-Mallawany, chief executive of EFG-Hermes, Saudi Arabia's largest investment bank, said: "There is no such thing as a free lunch. I think we will now see a welcome restructuring (of Dubai's assets), done on a case by case basis."

Prime Minister Gordon Brown has moved to calm growing fears surrounding Dubai's collapse Downing Street said the Government, Financial Services Authority and the Bank of England were "continuing to closely monitor the situation".

Dubai World have an investment portfolio across 100 cities, prompting their boast that "The Sun Never Sets on Dubai World".

The company also own Nakheel, who are behind Dubai's lavish Palm man-made islands developments and work with British companies such as Balfour Beatty.

WE'LL ALL PAY FOR THE CRASH

Chartered financial planner Jonathan Davis explains the fallout from the Dubai crash: "This is a sovereign default, where the debtor is the state, which says it can't afford to pay.

"There is a hope Abu Dhabi will step in and secure the debt. But I think that's optimistic.

"I suspect they will let the whole thing go bust and pick up the assets at fire sale prices.

"Dubai owes so much to our banks - some of which are owned by us, the taxpayers - and some of our banks like RBS have been left exposed.

"It will be us, the taxpayer, who will be paying for Dubai."