Government to take massive hit on sale of NatWest shares

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ATWEST moved a step closer to being free of government control today when the government said it will sell another 15% stake – at a massive loss to the taxpayer.

While that move will be welcomed by chief executive Alison Rose – keen to be free of state intervention – it signals that the Treasury has given up hope of ever getting its money back.

What was then Royal Bank of Scotland was bailed out in 2008, having gone bust amidst a global banking crisis following reckless expansion by CEO Fred Goodwin.

RBS's collapse was perhaps the most significant of the bank failures, sending shockwaves across global markets and earning Goodwin the title of worst banker in the world.

Today the Treasury asked Morgan Stanley to cut its 55% stake in NatWest to 40% over the next 12 months. While it said "shares will only be sold at a price that represents value of rmoney for taxpayers", the sales will crystalise multi-billion pound losses.

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The bailout cost £45 billion at 500p a share. NatWest shares are today at 200p, valuing the entire business at £23 billion and the government's stake at around £12 billion.

Chancellor Rishi Sunak said in the Budget he hopes to be rid of the stake completely by 2025/26. The most recent sales saw the Treasury net £1.1 billion from a 5% stake offloaded to City institutions in May, having secured a similar amount in March when shares were sold back to the bank.

NatWest is due to release its half-year results on Friday of next week, when it is expected to reveal a capital buffer well in excess of its target ratio of 13% to 14%. In addition to dividend payments, this could give it the flexibility to buy back more government shares.

The ending of Brexit uncertainy and fewer-than-expected loan defaults in the pandemic mean the company's shares are up 19% so far this year, having fallen 30% the previous year.

UBS's banking analyst Jason Napier recently offered a 214p target price. According to recent estimates from the Office for Budget Responsibility, the taxpayer is expected to make a loss of £38.8 billion on its original stake.

Rose, and her predecessor, the Kiwi Ross McEwan, have laboured to simplify the bank, which bought NatWest in 2000, at that time cementing Goodwin's reputation as a skilled, daring banker. A later deal to buy ABN Amro was at the heart of the bank's disaster.

RBS rebranded as NatWest recently, an attempt to break with the past.

Rose, a career long RBS executive, has been described as the anti-Goodwin.

Lloyds Bank, the other major UK bailout recipient, returned to full private ownership back in 2017. It was regarded as less of basket case than RBS.

In a note titled “Help, I’m a taxpayer… get me out of here,” Investec’s Ian Gordon advised clients to buy shares in Barclays or Lloyds rather than NatWest.

He said: “We expect the constant drip of shares into the market to act as something of a glass ceiling for the NatWest share price.”