

24 November 2011



Mr [REDACTED]
Urbanizacion [REDACTED]
Calle [REDACTED]
[REDACTED]
Malaga
Spain

CreditSelect 4 Loan Facility No [REDACTED] N M Rothschild & Sons Limited ("NMR")

Dear Mr [REDACTED]

I refer to your letter of complaint dated 25 October 2011 addressed to Mr Westcott. I am responding to your letter on Mr Westcott's behalf.

The vast majority of your complaints relate to the actions of:

- (a) third parties (such as your financial adviser, Hamiltons) for whom NMR is not responsible; and
- (b) Rothschild Bank International Limited ("RBI") which is a separate entity from NMR and incorporated in Guernsey. As you are aware, RBI acted as arranger and servicer of the CreditSelect loan facility and carried out these activities primarily from Guernsey.

I believe that your letter is factually inaccurate in a number of material respects and it would appear that the matters about which you complain are not matters relating to the conduct of NMR. Furthermore, it appears that a number of your complaints are generic complaints which have been expressed in identical terms to recent complaints made by other borrowers. As such, it is not clear from your letter whether all of the issues you raise are matters that have affected you personally.

I wish to make the following points in response to your letter:

1. In your complaint you refer to "Rothschild's Equity Release Scheme". However no such scheme exists (nor has any such scheme ever existed). A CreditSelect 4 loan facility is not an "equity release scheme" or any other kind of scheme (or "plan"). It is a loan facility and NMR's role was solely that of lender. The CreditSelect loan facility related to Spanish real estate and was not, therefore, a Regulated Mortgage Contract and not regulated by the FSA. Contrary to the suggestion in your letter, a CreditSelect loan facility is and has at all times been entirely lawful and NMR has complied with all relevant rules and regulations relating to the offering of the loan.
2. The first two pages of your letter of complaint explain in some detail the advice that say you were given by your independent financial adviser, Hamiltons. As is clear from your letter, it



was Hamiltons who advised you in relation to your decision to apply for a CreditSelect loan facility and in relation to the investment which you purchased using the proceeds of the loan (Aspecta's Horizon 2016 Fund). At no time did NMR (or RBI) provide any advice to you in relation to your decision to apply for a CreditSelect loan facility or in relation to the investment fund in which you chose to invest the proceeds of your loan. Nor has NMR (or RBI) provided any advice to you in relation to your decision to exit from this fund. Hamiltons were your independent financial adviser and acted as your agent in relation to your CreditSelect loan application. NMR is not responsible for the actions of Hamiltons.

3. You refer to a presentation that you say was made to you by "Peter Harvey" of Hamiltons. I am aware that there was a Peter Hardy who worked for Hamiltons and I assume that it is to this person that you are referring. You state that during this presentation you were told that Mr Dewsnp visited the Costa del Sol "to teach IFA's such as Hamiltons how to sell the Equity Release Scheme". If Mr Hardy said this to you then this statement was wholly inaccurate. Whilst Mr Dewsnp (who was a director of RBI) did make presentations to IFA's, the scope of these presentations was restricted solely to the features of the CreditSelect loan facility and the application process. Mr Dewsnp certainly did not teach IFA's how to "sell" any "scheme".
4. You suggest that you attended a presentation by Mr Dewsnp to "a group of pensioners" and that this presentation took place on the Costa del Sol. Whilst Mr Dewsnp did attend some IFA organised events at which he spoke about the features of the CreditSelect 4 loan facility and the application process, we do not believe that Mr Dewsnp attended any such event for clients of Hamiltons on the Costa del Sol. If you believe that you did attend such an event, please let us know where you say this presentation took place and when. In any event, assuming that you did attend a "presentation" by Mr Dewsnp, it is entirely possible that Mr Dewsnp may have said something about the history and reputation of NMR's banking business (though not in the way you describe at paragraph (b) on page 3 of your letter); however we do not accept that Mr Dewsnp would have told you any "falsehoods" or that he would have made the representations that you describe in paragraphs (a) and (c) on page 3 of your letter.
5. You have also referred to the article written by Mr Dewsnp called "Rothschild presents a tailor-made Plan for your needs". This article was published in the Henry Woods newsletter in September 2005. Henry Woods was a firm of independent financial advisers who created and promoted a scheme called SPAIRS. NMR acted as one of a number of lenders which provided funds to borrowers who were interested in the SPAIRS scheme. I note that you do not appear to have been a client of Henry Woods. Nevertheless if you read this article you will be aware that it does not make any of the statements suggested by you in your letter. You will also be aware that Mr Dewsnp did not promote any particular investment product in this article. Mr Dewsnp made clear that Rothschild's role in SPAIRS was that of lender, that it was the responsibility of financial advisers to give advice tailored to the circumstances of



each individual client and that best advice may in fact result in a recommendation not to proceed with an application. You have also suggested in your letter that you did not appreciate that your loan facility was a mortgage. I note that the fact that the loan facility is a mortgage is evident from Mr Dewsnip's article.

6. You have suggested that Mr Dewsnip "vehemently stated that the equity release scheme being sold by Rothschild & Sons was 100% guaranteed". As I have made clear above, we do not accept that Mr Dewsnip made any such statement. In fact what Mr Dewsnip did say in the article referred to above was that "...the monies advanced must be invested into funds that have a 100% capital guarantee issued by a bank with a minimum AA credit rating". The fund in which you initially chose to invest (based upon advice from Hamiltons) did benefit from such a capital guarantee relating to the initial capital invested into the fund.
7. I note the statement in your letter that "you have complained.... at great length over several years" and that "all my complaints have been met with an absolute denial of liability or involvement". However having checked with RBI I note that neither NMR nor RBI appear to have received any previous letters of complaint from you. It is also incorrect to say that threats of legal action have been made against other borrowers "should they complain" or that your complaints relate to "a fund set up by Rothschild". As you are aware, the fund in which you chose to invest was not a Rothschild fund; it was an Aspecta fund and was selected by you on the basis of advice provided to you by Hamiltons, who acted as your agent in relation to your CreditSelect loan application.
8. You state that an "Equity Release Scheme" was "without my knowledge or consent turned into a Mortgage by Rothschild's". As stated above, the CreditSelect loan facility was not an equity release scheme; it was a loan facility. You provided security for the loan in the form of charges in NMR's favour over your property in Spain and your investment in the investment fund. This was made clear on the application form that you completed when applying for the CreditSelect loan facility. It is therefore incorrect to state that Rothschild "turned" a "scheme" into a mortgage.
9. You have also incorrectly stated that "Rothschild chose the investment plan" and that this in some way makes Rothschild "not only the lender but the investment provider as well". It is correct that NMR as lender (or depending on the circumstance RBI acting on its behalf) had to ensure that any investment fund selected by a borrower was acceptable from NMR's own credit risk perspective (in view of the fact that the investment fund formed part of the overall security package for the loan). However at no time did NMR or RBI preclude the possibility of alternative investment products being used as security for the loan facility. Indeed NMR (or RBI on NMR's behalf) has approved (from NMR's own credit risk perspective) the use of other investment products at the request of borrowers. Had you wished to do so, you could therefore have suggested an alternative investment fund which would have been considered.



The fact that NMR (or RBI) may have approved a particular fund (from the lender's own credit risk perspective) as acceptable security for the loan facility does not mean that NMR is responsible for the performance of the investment fund.

10. You have referred to the "large upfront fees" relating to the investment that you purchased. However what fees were associated with the investment product that you selected in conjunction with your independent financial adviser was, we assume, something that you would have discussed with your independent financial adviser. This was not a matter upon which NMR or RBI provided any advice to you. Nevertheless I note that amongst the papers provided to RBI in relation to your application for a CreditSelect loan facility was a document which you signed with Aspecta confirming that you had received a copy of Aspecta's "Special Conditions" relating to your policy with them. It is my understanding that these special conditions clearly stated at section 11 that there is an "Entry fee" of 7.5%. I note also that the fees payable in relation to the CreditSelect loan facility were set out in the Terms and Conditions of the loan facility which you confirmed that you had read and understood when you signed the application for the CreditSelect loan facility.
11. You have also stated that the proceeds of your loan facility were not invested in the fund "shown" to you "during the sales presentation, but into some sort of clone of the fund set up by Rothschild & Sons via an insurance company". Again this is wholly inaccurate. First neither NMR nor RBI has set up any fund for use in connection with CreditSelect loan facilities. Second, and as I have already explained, neither NMR nor RBI provided any advice to you in relation to your choice of investment fund. You selected the investment fund in which you chose to invest the proceeds of your loan facility based upon the advice you received from Hamiltons. NMR is not responsible for the advice provided to you by Hamiltons. NMR simply remitted the proceeds of your CreditSelect loan facility to Aspecta for investment in the Horizon 2016 Fund in accordance with the instructions contained in your loan application form.
12. You have also referred to the valuation of your property and to the fact that you have now been informed that this valuation "could be an overstatement of the true value at the time" in order to enable NMR to grant as high a loan as possible. You say that a "recent valuation" on your property does not suggest that the valuation was correct. However the valuation of your property was conducted by Cluttons, an independent and respected professional firm of valuers, through their office in Marbella on 28 March 2007. The valuation at that time was €295,000. I note that this is less than your own estimate of the value of your property (in your CreditSelect loan application form you estimated the value of your property as €300,000). There is absolutely no evidence to support your suggestion that the valuation was deliberately overstated and any such allegation is completely rejected. Clearly I cannot comment on your recent valuation other than to say that you will no doubt be aware that



property values in Spain have fallen significantly since your property was valued in March 2007.

13. I note also that in your letter you have stated that you are very concerned as you are faced with the "threat of foreclosure" and the "loss of your home". It was to help to alleviate such concerns that RBI (in its capacity as servicer and arranger of the CreditSelect loan facility) wrote to you in November 2009 offering to enter into a standstill agreement in relation to the breach of covenant under your loan facility. In summary, this was a proposal to enter into a legal agreement pursuant to which NMR would agree not to enforce the security which it holds under your loan facility in relation to your breach of covenant during a three year standstill period provided that you comply with the terms of the standstill agreement. The terms of the standstill agreement were explained to you and required you to make payments totalling €3,000 per annum, which payments would be used to reduce the balance of your loan. I note that you did not respond to this offer.

Setting aside the alleged representations which you seek to suggest were made by Mr Dewsnip of RBI and which are not accepted, the substance of your complaint appears to relate to the financial advice that you received from Hamiltons and the investment that you placed with Aspecta (upon which you were advised by Hamiltons). You have not pointed to any fault in respect of NMR or, in particular, respect of the provision of lending facilities by NMR. NMR is not prepared to cancel your loan or provide compensation to you in respect of the actions of third parties for whom NMR is not responsible.

This is NMR's final response. If you are dissatisfied with this response you may be entitled to refer your complaint directly to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 5SR. A copy of a leaflet about the Financial Ombudsman Service is enclosed with this letter for your information.

Yours truly
For and on behalf of
N M Rothschild & Sons Limited

David Shannon
Director – Group Legal & Compliance