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RBS to pay \$120 million to resolve Connecticut mortgage bond probe

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The deal, announced by Connecticut Attorney General George Jepsen and state Department of Banking Commissioner Jorge Perez, came as the bank has been seeking to resolve a series of probes and lawsuits over mortgage bonds. (Source: Reuters)

Royal Bank of Scotland Group Plc will pay \$120 million to resolve a Connecticut state investigation into the bank's underwriting of toxic mortgage-backed securities ahead of the 2008 financial crisis, authorities said on Monday.

The deal, announced by Connecticut Attorney General George Jepsen and state Department of Banking Commissioner Jorge Perez, came as the bank has been seeking to resolve a series of probes and lawsuits over mortgage bonds.

Before the financial crisis, authorities said, the bank's RBS Securities Inc unit was the lead underwriter on \$250 billion worth of residential mortgage-backed securities, an investment product backed by payments by thousands of homeowners.

authorities said.

The state claimed RBS conducted inadequate due diligence on the loans pooled into its deals and engaged in dishonest or unethical conduct that resulted in untrue statements to investors about loans contained in the securities products.

“RBS failed to properly determine – and misstated – the quality of the mortgage loans comprising many mortgage-backed securities,” Jepsen said in a statement.

As part of the settlement, RBS also resolved claims with the state’s Department of Banking stemming from its 2015 agreement to plead guilty to trying to manipulate foreign exchange rates, as part of a deal with the US Justice Department.

RBS in August disclosed that it had reached a settlement with Connecticut, without revealing the financial terms. The bank said it was pleased to resolve the matter.

“Putting these issues behind us remains a priority; there is more work to be done, but we are making progress,” RBS said in a statement.

The deal was announced almost a week after the National Credit Union Administration said it reached a \$1.1 billion settlement with RBS to resolve lawsuits it filed over toxic mortgage-backed securities the bank sold to credit unions that later failed.

RBS continued to face an investigation by the U.S. Justice Department over mortgage-backed securities.

In January, RBS said it had set aside 3.8 billion pounds (\$4.9 billion) to resolve civil lawsuits over mortgage-backed securities.

Among the lawsuits it faces is a multibillion-dollar case brought by the Federal Housing Finance Agency, which has acted as the conservator for mortgage giants Fannie Mae and Freddie Mac since their government takeover in 2008.