

To Bank Shareholders

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**UK Shareholders Association**  
BM UKSA  
London  
WC1N 3XX

Phone: 0870-70-60-600  
Email: [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk)  
Web: [www.uksa.org.uk](http://www.uksa.org.uk)

## **Bank Investors Campaign – Update No. 6**

### **Barclays Bank**

After our last bank newsletter was issued, the share price of Barclays Bank continued to fall, based apparently on the perceived risk of nationalisation, touching a low point of 51p at close of business on Friday the 23<sup>rd</sup> January. Perhaps this fall was assisted by the publication on the same day of a “sell” recommendation from the Investors Chronicle. But share tipping is fraught with risks, as they were soon to discover, and is one reason why UKSA does not issue such advice.

On the following Monday the company published a letter in the joint names of Chairman Marcus Agius and Chief Executive John Varley. It reassured shareholders on the likely profits for 2008, which will now be published sooner than originally planned, and gave some further information on write downs of credit market exposures. It also stated that capital resources were well in excess of regulatory requirements and they saw no further needs for capital subscriptions, either from the private sector or from the UK Government.

This seemed to halt the panic and the share price has more than doubled since then, although it is still considerably below what it was only a few weeks ago.

### **Nationalisation or Not?**

Other banks have also recovered slightly as the threat of nationalisation seems to have receded somewhat. Government minister Lord Myners had an article published in the Financial Times suggesting that the Government does not wish to gain control of or manage the banks, but there are concerns that Royal Bank of Scotland (RBoS) and Lloyds Banking Group will need to raise more funds. RBoS is already 70% owned by the Government, but Lloyds seems to want to keep the Government holding below 50%.

This week the Investors Chronicle published a two sided debate on the question of whether full nationalisation should take place or not, under the headline “The Big Question”. I wrote the case against it. Both opinions are on the IC’s web site. For a longer version of what I said, please go to this page: [www.uksa.org.uk/Bank\\_Nationalisation.pdf](http://www.uksa.org.uk/Bank_Nationalisation.pdf)

### **Royal Bank of Scotland**

The ineffectiveness of non-executive directors was highlighted when Legal & General disclosed that they had demanded the removal of Sir Tom McKillop and Sir Fred Goodwin back in May 2008. It seemed that L&G were fobbed off with excuses for inaction, and steps to replace Fred “the Shred” Goodwin did not happen until the Government took effective control later in the year.

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In Scotland, where there is much anger over the damage done to one of their leading companies, calls were made for the Serious Fraud Office to investigate by Tavish Scott of the Liberal Democrats, while Christine Grahame, MSP reported the matter to the police. The suggestion was made that the rights issue was in effect a fraud as it was misleading to investors. The shares were issued at 200p and have traded as low as 10p recently after the massive further fund raising and dilution of shareholders equity by the Government "recapitalisation".

UKSA has also been approached by people interested in pursuing legal action in respect of the rights issue, and we will advise further if this is progressed.

Roger Lawson

Communications Director, UK Shareholders Association

Email: [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk), Web: [www.uksa.org.uk](http://www.uksa.org.uk), Direct telephone: 020-8467-2686

*Note that all previous information issued by UKSA in respect of our campaign on banks is present on the following web site page: [www.uksa.org.uk/Bank\\_Investors\\_Campaign.htm](http://www.uksa.org.uk/Bank_Investors_Campaign.htm)*