

To Bradford & Bingley
Shareholders/Bondholders

January 2010

UK Shareholders Association

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Bradford & Bingley Action Group – Update No. 20

WHO IS TELLING THE TRUTH? IS IT THE DIRECTORS OF BRADFORD & BINGLEY (B&B) OR IS IT THE GOVERNMENT?

Prior to the rights issue in July 2008 and nationalisation of B&B on the 29th September 2008, the B&B directors and the Financial Services Authority (FSA) assured the B&B share and bondholders of the financial strength of their company. It is a fact that the company had one of the best tier 1 capital ratios amongst British banks.

On the 29th September 2008, the UK Treasury made the following announcement: "The FSA determined on Saturday morning that the firm no longer met its threshold conditions for operating as a deposit taker under the Financial Services and Markets Act 2000 and FSA rules". No more details were given. This statement was at best misleading, if any such determination had been made the B&B banking licence should have been immediately withdrawn but that did not happen. The Transfer Order also stated "It appears to the Treasury to be desirable to make this Order for the following purpose: maintaining the stability of the UK financial system in circumstances where the Treasury consider that there would be a serious threat to its stability if the Order was not made". From evidence in our possession the Treasury statement appears to contradict those of the B&B board and the FSA – who is telling the truth? UKSA has written at least six letters to the Prime Minister and the Chancellor asking for clarification, they have both failed to answer our questions. The only response to date has been two belated letters from Lord Myners which have not addressed the issues, which are:-

1. The B&B share and bondholders are entitled to have full details of the sequence of events in the twelve months prior to the nationalisation of their company. This must include the precise basis upon which the Government decided that nationalisation was the only option available. Peter Clokey of Price Waterhouse Coopers (PWC), the independent valuer, has access to this information which the Government has steadfastly refused to give to shareholders who were the owners of the company.
2. Why was the savings book of £21 billion sold to Santander at a distressed sale price of only £612 million resulting in the latter, by its own admittance, achieving higher profits than would otherwise have been the case. This action ensured that B&B was destroyed as a viable business. Why was B&B the only bank that was treated in this way?

3. Robert Peston's intervention in the BBC News became the catalyst for the events in the days just prior to the Nationalisation and this created an artificially depressed market in B&B shares. This was at best an unfortunate coincidence.

The background to all this has been the failure of the tripartite regulatory system, namely the FSA, the Treasury and the Bank of England. The Government has a duty of care to investors which it has failed to provide, its replies to our requests for the truth have been a mix of obfuscation and disingenuous comment which makes a mockery of the financial services legislation passed during the last decade which was meant to protect investors. The Government's action in nationalising B&B looks like a decision made in haste for political reasons. It has robbed nearly one million small shareholders of their investment in their bank and stopped interest payments to bondholders, many of them pensioners, who relied on this income in their retirement.

I, as Chairman of the Bradford & Bingley Action Group Committee, have had several meetings with Peter Clokey and members of his team at PWC. Your Committee will be making a submission to PWC in respect of the valuation process by February 2010. This will highlight those factors which we believe should be given full consideration. We also hope to have further information shortly in respect of the bondholders' position.

David Blundell
Chairman of the Bradford & Bingley Shareholders Action Group
UK Shareholders Association

Note that all previous information issued by UKSA in respect of Bradford & Bingley is present on the following web site page: www.uksa.org.uk/BradfordBingley.htm