

To Bradford & Bingley Shareholders

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UK Shareholders Association
Chislehurst Business Centre
1 Bromley Lane
Chislehurst
BR7 6LH

Phone: 020-8468-1027
Email: uksa1@btconnect.com
Web: www.uksa.org.uk

Bradford & Bingley Action Group – Update No. 9

The Valuation of Bradford & Bingley

Many shareholders ask us what the likely compensation figure to be paid by the Government will be, or what the fair value was at the date of nationalisation. This is a difficult question to answer but we have attempted to answer it, and give some idea of how the independent valuer is likely to approach this question in a note that has been added to our web site at: www.uksa.org.uk/B&B_Valuation.pdf (this is a pdf document of course and you will need the Adobe Acrobat pdf reader on your PC to read it). We believe the fair value is as high as 80p per share on the basis that the company was a “going concern” at that time – at least we have not seen any information that says otherwise.

As you can see, the answer is quite complex, and a full valuation is likely to take the independent valuer many weeks if not months in collecting the data, analysing it and producing their “expert” recommendation. One of our tasks will be to make representations to the valuer at the appropriate time, and this might require professional advice or legal work at some considerable cost.

So to answer another question that is linked to the above, as there is no news as yet on the appointment of a valuer, it is likely to be many months before shareholders see any compensation. Regrettably the process adopted by the Government is long-winded and time consuming, and neither are they moving it along as fast as they could either. Unfortunately they tend to rely on a lengthy process to ensure that those who feel disgruntled lose their ardour over time. But we won't let that happen you can be assured.

The Legal Action on the Rights Issue

Those shareholders who subscribed to the B&B rights issue a few weeks before nationalisation may have received a letter from solicitors Leon Kaye. To quote from their web site: *“It is proposed to seek compensation by way of damages for misrepresentation arising out of the Prospectus which preceded the Rights Issue and which Prospectus was sponsored by Citi and by UBS Investment Bank It is considered that although there were Risks Warnings in the Prospectus these were insufficient. The Rights Issue proceeded notwithstanding a rapidly developing Financial and Banking Crisis and in particular the Prospectus failed to properly address the consequences of the Moody's credit downgrade as a result of which a major investment fund (TPG) had already withdrawn its support.”*

They believe (also on advice from a Senior Barrister) that they have a strong case and have issued a Claim Letter against the relevant Directors and also Bradford & Bingley Plc. We have discussed this action with Mr Kaye and suggest that shareholders who subscribed for the rights issue contact Leon Kaye and obtain further details of the action. They are asking for subscriptions to cover the cost of initial legal advice. We are supportive of this legal action and therefore do not plan to launch any similar action ourselves in respect of the rights issue at this time. Their web site page which covers this matter is at: www.leonkaye.co.uk/bradfordandbingley.html or their telephone number is 020 7228 2020.

Note that their action is only relevant to shareholders who subscribed for the rights issue, and only in respect of the value of the cash subscribed for that issue. We will try and represent your interests on the original shares and those people who did not subscribe for the rights issue.

We understand the funding of the legal costs of a full action might be supported by a third party who might ask for a proportion of any settlement to cover their costs with insurance covering any "adverse costs" if the case was lost and to protect the interest of Claimants. You should also bear in mind that any settlement might be reduced by the value of any compensation that the Government might offer you for the same shares.

Other Legal Actions and Initiatives

There are some other possible legal actions which we are still considering – for example many shareholders were allegedly induced to purchase shares in the market place in the week before nationalisation based on the words in the prospectus and the supporting comments in public of the directors and senior managers of the company. No quick decision on such action is likely to be taken.

Many shareholders have asked us to pursue the former directors for negligence, incompetence, or other alleged failings through the courts. But it's worth pointing out that other than the above issues, any such actions (for example, for "breach of duty") are often exceedingly difficult to pursue in English law, particularly by shareholders. But we have not ruled anything out as yet.

Likewise claims against the Government or other authorities for alleged "defective regulation" of the company are usually not actionable in law, and would not be the basis of any simple claims for compensation. Therefore any such claims can really only be promoted in the political sphere by persuading the Government that they have a moral case to answer. This we will do, and no doubt more information will come out in due course about the role of the FSA in the affairs of Bradford & Bingley.

Campaign Status

We have done several mailings to shareholders already, primarily covering the shareholders with larger holdings on the share register and will continue to do this over the next few weeks. Expanding the number of our supporters is one of our short term priorities.

We have received a response from the Government (from Lord Myners, Financial Services Secretary) in reply to our questions as to exactly why Bradford & Bingley was nationalised and the events leading up to that. However, the response was somewhat opaque and we have therefore submitted more questions, and reiterated our request for a full and open explanation of what happened.

Roger Lawson
Communications Director, UK Shareholders Association
Web: www.uksa.org.uk

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