

Rt Hon Alistair Darling MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
LONDON
SW1A 2HQ

UK Shareholders Association
BM UKSA
London
WC1N 3XX

Phone: 0870-70-60-600
Email: uksa@uksa.org.uk
Web: www.uksa.org.uk

10 November 2008

Questions and Comments on the Position of Bradford & Bingley (B&B) Shareholders

Dear Mr Darling,

I write on behalf of the United Kingdom Shareholders' Association ("UKSA") and one million Bradford and Bingley Shareholders in the hope that you will be kind enough to answer the following key question.

- Why was Bradford and Bingley nationalised?

In addition, I would ask that you answer the following two questions:

- On what basis will compensation be paid to B&B shareholders?
- When will that compensation be paid?

Background

The UK Shareholders Association has formed a group to represent the individual private shareholders (as opposed to the institutional shareholders). We wish to clarify the position and rights of these shareholders and we will be campaigning on behalf of their interests. Private shareholders owned a substantial proportion of the shares in this company – indeed more than in most public companies.

Receiving answers to the above questions are an essential first step for shareholders to begin to understand their position following the sale of part of B&B to Bank Santander and the Government's nationalisation of the remainder of the Bank's assets and operations.

Prior to August 2007, B&B was highly regarded. It was seen as a lean specialist mortgage lender using its capital efficiently to leverage money market funds to build a highly profitable mortgage book. However, the market started to change radically that month and the situation that culminated in the action taken in September 2008 has left shareholders very confused and distressed.

Why was Bradford and Bingley nationalised?

Very little information has been forthcoming as to exact reason why the company was nationalised. So far as shareholders are concerned, the bank was adequately capitalised and did not appear to have run out of cash (i.e. was not suffering liquidity problems and was unlikely to do so in the foreseeable future). Indeed the management of the company was saying only a few days before nationalisation that it had a strong balance sheet with better capital ratios than many other banks. The company had recently undertaken a major rights issue that was presented to shareholders as putting the company on a sound footing for many months so shareholders were dismayed when the company was nationalised only weeks later.

The statement by HM Treasury simply says that the FSA determined “*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*”. Exactly what conditions or rules were breached by the company? What other contributory factors were taken into account in the decision to nationalise the company?

Why have shareholders not been told and given the basis of any compensation?

We are at a loss to understand why there has been no clarification of the financial terms under which shareholders will be compensated. Indeed shareholders have not even been told that the Government has confiscated their property when the share register of the company is readily available and is designed to enable the company to communicate to all shareholders with important information. Many shareholders are simply in the dark about what is going on.

At this time, not only do I request answers to the questions stated above but also that the following points are noted:

a – We suggest that compensation for shareholders should be addressed by the appointment of an independent valuer to determine a valuation at the date of nationalisation on normal commercial principles, but without any pre-conditions as to the terms of reference as was applied in the case of Northern Rock (as you are no doubt aware, we are challenging such pre-conditions in the High Court).

b - That the valuation and payment of compensation be done swiftly and that it cannot await a full wind-up of the business which would prejudice greatly the number of elderly small shareholders many of who may not be with us to see any cash. Many others would be adversely impacted. The entire process of demutualisation of the building societies in the United Kingdom has now been shown to be an economic disaster for these longstanding institutions and for their shareholders and customers. The Government should recognise its involvement in encouraging this adverse development and the inequity in helping investors in certain banks without, at this point in time, protecting shareholders in the former building societies.

c - That the Government should write to all shareholders in the company as soon as possible advising them of the nationalisation and of the compensation arrangements after a Compensation Order has been published.

Conclusion

What does concern us all is quite frankly the future of enterprise and investment in this country, on which our future prosperity must surely depend. I together, with my colleagues in the UK Shareholders Association, and the shareholders of Bradford & Bingley hope that the Government will now act justly, fairly and equitably to support our interests in line with those of the investors in other banks and with our position as UK taxpayers who have recapitalised this and other banks.

If a government confiscates the property of its citizens without reason and explanation and without fair and prompt compensation and, particularly, where it may be seen as being at fault to some extent itself by the failure to adequately regulate these companies, then all concepts of democracy and equity are laid aside and, we submit, the role of fair and honest government is devalued.

I look forward to your early reply.

Yours sincerely

Roger Lawson
Communications Director
Email: roger.lawson@btclick.com
Direct telephone: 020-8467-2686