

An Open Letter to George Osborne
Shadow Chancellor of the Exchequer

UK Shareholders Association
BM UKSA
London
WC1N 3XX

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

17 December 2007

Dear Mr Osborne,

Your analysis of the failings in handling the Northern Rock crisis in today's Financial Times are undoubtedly correct. But to suggest that the shareholders are currently "*holding the taxpayer to ransom, when those shares would be worthless without the Bank's support*" shows some basic misunderstandings of law and of investment valuation.

Many listed companies have large debts on their balance sheet. Without the support of those loans, they would be unable to continue trading. In that sense they are just as much dependent on their lenders as Northern Rock is dependent on the Bank of England. Does that mean all those companies are worthless? Obviously not.

Just because a company is reliant to some extent on its creditors does not mean that the creditors own the company. The company is owned by its shareholders and any loans provided by its bankers are provided on agreed terms and conditions. In the case of Northern Rock, those terms are indeed onerous and there is no doubt that the Bank of England could immediately cause the company to fail by withdrawing those loans. But that would hardly be in anyone's interests.

The shareholders though recognise that this company is still a very valuable property and they do not wish to see their property transferred at an unrealistic value to someone else. To suggest that shareholders are holding anyone to ransom because they are simply holding on to their property rights as laid down in the Laws of England seems perverse to say the least.

Neither do shareholders want to see rushed decisions made that will not result in the best outcome for all stakeholders (and that includes the taxpayers who are currently supporting the company). We too are concerned about the length of time it is taking to resolve the problems of Northern Rock, but the Chancellor of the Exchequer rightly seems not to be rushing into hasty decisions. It is also worth pointing out that the decisions that could have been taken are constrained by events and it is wrong to criticise someone when their policies are dictated by external factors beyond their control.

UKSA®—The independent voice of the private shareholder

The United Kingdom Shareholders' Association Limited
Registered in England No. 4541415; Registered Office: 8 Prince Consort Drive, Chislehurst, BR7 5SB

Yes a rapid conclusion could be forced by winding-up or nationalising this business. But at what cost to the Government, to the other creditors, to the shareholders and to the employees and other stakeholders supported by the company in the North-East of England?

So the answer is to get the company back on its feet by sensible management decisions, with a plan that enables repayment of the loans from the Government as soon as reasonably possible. If that is assisted by funding which can be obtained in the market from third parties then all to the good - but that is clearly not easy at present and nothing can change that reality. Hectoring the Chancellor on his apparent indecision will not change the facts.

Yours sincerely

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