

# The UK Shareholders Association (UKSA)

## Bradford & Bingley Shareholder Meeting

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UKSA\_Bradford&Bingley\_London.ppt (Revised 6-Oct-09)

UKSA

## What UKSA Does

- Promotes your rights as a shareholder.
- Promotes good standards of corporate governance.
- Campaigns for a fair market and fair tax treatment for private investors.
- Provides education and other benefits to members.

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## Promotes Shareholder Rights

- To the Government and Institutions (eg. new Companies Act, Share Transfer Dematerialisation and Nominee Enfranchisement). See “News” and “Policies” section of web site for examples.
- To Companies. For example Venture Capital Trusts, Northern Rock, Lloyds Bank.

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## Education Provision

- Regional & Local Meetings
- “Analyst” Style Company Visits
- National Conference
- Web Site

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## Web Site

- Go to [www.uksa.org.uk](http://www.uksa.org.uk)



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## UKSA Organisation

- UKSA is a non-profit making organisation owned by its members (a company limited by guarantee).
- Governed by an unpaid board of directors, and supported by a regional network.
- The Bradford & Bingley Shareholders Action Group is effectively a sub-group within UKSA led by a committee of B&B shareholders, and supporters don't have to join UKSA.

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## Some Background

- In his speech to the Labour Party conference, Prime Minister Gordon Brown said "*not one British saver has lost a single penny*" when referring to the Banking Crisis. How wrong can you be?
- Starting with Northern Rock, following by HBOS, Bradford & Bingley, and Royal Bank of Scotland, UK banks have been affected by the sub-prime crisis and the lack of liquidity in the money markets. Those banks that relied to some extent on money markets to fund their mortgage lending (Northern Rock, B&B and HBOS) have all come a cropper.
- It first became apparent at Northern Rock where a temporary and small liquidity problem turned into a disaster, including a major run on a UK bank for the first time in 100 years due to mismanagement by the Government and the Bank of England, and the panic inducing announcements of Robert Peston.

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## Some Background -2

- After many months of inaction in the company, and frustration in the Government by its inability to get shot of the problem of Northern Rock (partly due to shareholders frustrating a "fire sale" to Virgin), it decided to nationalise the company and passed an Act of Parliament to do so (although the Act was specifically justified for the Northern Rock case it was in fact a general Act that could be used on any bank). Note that the Government received a lot of criticism for its delay in resolving the problem, with debts to the Government ballooning to about £30bn (since mostly repaid).
- My conclusion is that when similar problems arose at Bradford & Bingley (a looming liquidity crisis, a downgrading of debt by the rating agencies, and a collapse in the share price), the Government panicked and chose to use the same Act to nationalise it rather than consider any temporary liquidity support. This was even though B&B had one of the strongest balance sheets in the banking world, and LOLR is designed to assist solvent banks with temporary liquidity problems.

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## Other comments

- What other solutions could have been followed for B&B? Were these practical and economic?
- Why were HBOS and RBS bailed out, and shareholders interests protected to some extent, when B&B is being liquidated?
- In general, the Government have paid no heed to the interests of shareholders in banks, even though these are mostly “savers”. Indeed in respect of the subordinated bonds (pibs), they have chosen to sacrifice them in the interests of saving the Government money.

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## Bradford & Bingley Campaign so far

- Share register about 350,000 plus 600,000 in nominees
- Most shareholders only have 300 shares which they got for free and do not wish to spend time on the issue.
- Also about 3,000 PIBS (subordinated bond) holders.
- 80,000 subscribed to the rights issue.
- First action: formed a committee and got organised.
- Developed web site and produce newsletters.
- Have written to 140,000 shareholders to date, and this process is continuing.
- Have about 12,000 responses so far and raised over £100,000 to date (although a major proportion of this has gone on mailings to raise those supporters). This gives us some capability in terms of legal advice on the valuation issues.

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## Other Actions

- Made representation about compensation arrangements and obtained better “Compensation Order” terms than for Northern Rock.
- Active PR campaign to ensure people are aware of the issues.
- Legal action on the rights issue being left to Leon Kaye and no other immediate legal action required (although the valuation process might require some).
- Will need to make representations in due course to the Independent Valuer.

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## Why Aren't we Suing Everyone?

Because:

1. There is limited evidence of “breach of duty” by directors.
2. In general under English law, with some exceptions, only the Company, not shareholders, can sue directors.
3. Because such cases are very difficult unless you can show malicious or fraudulent intent which there is no evidence for.
4. Legal action against the FSA or the Government for “defective regulation” are very difficult if not impossible.
5. No other obvious legal issues to pursue.

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## The Valuation Issue

Important to emphasise that we are seeking simply a fair and independent valuation of the shares – not a specific value.

But clearly even in the depressed banking sector, at present, few companies are valued at less than their “book” value.

See valuation note on our web site.

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## What You Can Do

- Write to your MP and the Chancellor of the Exchequer
- Write to the media to correct false stories and put your point of view.
- Make a donation to support our campaign.

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## Questions

