

## Press Release

For immediate release

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### **UK Shareholders Association Welcomes Bank Support Proposals but with Major Reservations on Dividend Restrictions**

The UK Shareholders Association (UKSA) welcomes the Government proposals to improve the capitalisation and liquidity of the banking sector. Providing preference share capital on appropriate terms, or even equity finance, if this would assist banks is likely to be of benefit to everyone, including the bank's shareholders.

However the suggestion that the Government will enforce reductions in dividends, or even total suspension which has been suggested in some press reports, will dismay many of our members who rely on such dividends for their retirement income. Similarly the general public will suffer a major reduction in their pension benefits in many cases if the dividend income to institutional pension funds was restricted. It is also worth pointing out that shareholders have recently subscribed via rights issues for new shares in companies such as Royal Bank of Scotland in the expectation of future dividend streams.

To disturb the normal relationship between investors and companies by dictatorial policies on dividends by the Government or other interference in their normal affairs would be of great concern, although clearly if there is a normal commercial negotiation on the terms attached to the provision of preference share capital then that would be a different matter. The consideration of what is a prudent dividend policy going forward should be something primarily for the companies and their boards to decide, and they should not be forced to take on additional capital on terms with which they may not be happy.

The provision of up to £200bn under the Special Liquidity Scheme is also welcomed as a short term measure to improve liquidity in the banking system. This and the above measures reinforces the point we have made before concerning Northern Rock that this company was not a special case but was simply one of the first victims of this general crisis in the banking sector. If similar measures based on a private sector solution had been applied to helping Northern Rock instead of the nationalisation that took place, the Government would not now be facing so many disgruntled shareholders and a legal action. Similarly shareholders in Bradford & Bingley might ask why that bank could not have been helped in this way rather than being nationalised.

**UKSA®—The independent voice of the private shareholder**

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**About the UK Shareholders Association (UKSA)**

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is a "not for profit" organisation which is financially supported primarily by its individual members.

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