

Press Release

For immediate release
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UKSA Announces Formation of Shareholder Action Group for Northern Rock Shareholders

The UK Shareholders Association (UKSA) has formed a group to promote the interests of ordinary shareholders in Northern Rock Plc.

UKSA represents the interests of private shareholders and we believe that many such shareholders were persuaded to invest in shares in the company in recent months based on the apparent strength of the business when in reality the company was in great financial difficulty. This information was not made publicly available as it should have been. Such shareholders have suffered major financial losses as a result. In addition, there are many longer standing shareholders who will suffer loss if the company is sold quickly at an unrealistic value.

Opposition to Disposal. UKSA intends to oppose any quick disposal of the business of the company as is rumoured to be likely, and particularly at any valuation that does not represent the underlying strength and assets of the company. We believe that more value might accrue to shareholders if the company is permitted to stabilise and rebuild its franchise with customers as opposed to undertaking a "fire sale".

Board Composition. We suggest that changes to the board of the company should be considered so as to re-establish confidence in the management of the company.

Questions to be Answered. We believe the board of the company should respond to shareholders on the following issues:

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1. Apparently the Bank of England was aware of an impending funding crisis at Northern Rock by at least the 14th August if not earlier. But the company made no announcements until the 14th September when the “rescue funding” by the Bank of England was announced. Why was no announcement made prior to that time?
Companies have an obligation to announce significant price sensitive information as soon as possible and we believe the lack of any such announcements led to a false market in shares of the company. In addition, while private investors might have been buying, many institutional investors were selling or even “shorting” the stock with constant rumours of impending profits warnings going around the City. In addition the stock fell substantially on the 13th September which suggests possible insider trading so we will be complaining to both the LSE and FSA about these events as it suggests that they would fall in the category of “market abuse”.
2. Why did the company choose to publicly announce the rescue by the Bank of England which clearly precipitated the panic by depositors and investors? The Governor of the Bank of England says this was required under European Law but this has been contradicted by the European Commission. And we would also question whether the wording of that announcement (if required) was most appropriate.
3. Why was it not possible in the weeks before the rescue to make alternative funding arrangements or build strategic relationships with other financial sector players to avoid calling on the Bank of England?
4. What are the details of the terms of the financial support by the Bank of England? Answers to this and other questions are necessary to enable confidence in the profit forecast issued by the company to be established, and some prognosis for the future developed.
5. The directors should also explain to shareholders why they apparently failed to anticipate the funding crisis, and exactly what steps they took to avoid the impending crisis once it became apparent.

Shareholders in Northern Rock are invited to contact UKSA to join this “Shareholder Action Group” and to receive more information as it becomes available. Shareholders should send an email to uksa@uksa.org.uk or write to the address above.

A previous press release issue by UKSA on the subject of Northern Rock is present on our web site at: www.uksa.org.uk/UKSA_Press045_Northern_Rock.pdf

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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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