

To Northern Rock Shareholders

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Northern Rock Shareholders Action Group – Update No. 34

Application for Judicial Review Submitted

An application for a judicial review of the nationalisation Act and the associated Compensation Order was filed on behalf of a representative sample of private shareholders on Thursday the 8th May and the following press release issued (click on to read): www.uksa.org.uk/UKSA_Press062_NRK_Legal_Action_Filed.pdf

This got extensive coverage in the national press. In addition I gave an interview on BBC TV's Working Lunch programme and David Greene spoke on BBC radio. Note that your committee spends a lot of time on talking to the press and other media which you may not be aware of if you don't read newspapers or watch television news programmes (and you would be surprised how many people don't). But good media coverage – and we have had plenty – helps to persuade people of the merits of our case and also enables us to get in touch with shareholders in nominee accounts. The latter may simply not know about us and what is happening unless they pick us up in the media or on the internet.

SRM Global, a major institutional shareholder, also filed such an application on the same day. Both of the applications made the same points so the Administrative Court that handles judicial reviews will treat them as one case. There is an initial examination of such cases which takes a few weeks, but if it passes that hurdle it goes to a full hearing which can take as long as 9 months or more to reach court.

We will try to provide more details of these applications at a later date.

Government Funding of Banks

The Government continues to inject liquidity into the banking system, but is doing so without "naming names" of the recipients of this largess. What a difference to the approach they took with Northern Rock! They are also taking a much tougher stance on potential leaks, while not undertaking any investigation of the leak that was made to the BBC and subsequently shouted from the rooftops by their Business Editor, Robert Peston – the way this information was presented did of course do enormous damage to the company and caused both the company and the Bank of England to rush out announcements that were badly worded.

So we have written to the Chancellor of the Exchequer calling for an inquiry into this leak as we believe it may have come from an arm of the Government. A copy of our letter can be read at: www.uksa.org.uk/Darling_Letter_30042008.pdf

UKSA—The independent voice of the private shareholder

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FSA Publishes Another Report on Northern Rock

The Financial Services Authority (FSA) has published another fuller report on the events at Northern Rock and their regulatory activities. It is critical of the management team at the company, but also reveals that several warning signs were ignored by the FSA supervisory team. More details are available at:

www.fsa.gov.uk/pages/Library/Other_publications/Miscellaneous/2008/nr.shtml

Other News

Dennis Grainger has been doing a great job of promoting our cause in the North East of England, where there is a heavy concentration of former shareholders of course. Some photographs taken at "stalls" in Newcastle and other towns are now present on this page of our web site: www.uksa.org.uk/NorthernRockPhotos.htm . He has also been getting a lot of local press coverage to maintain awareness of the issues and to recruit more supporters, plus getting people to sign a petition to go to their local MPs. Chris Hulme, another of our committee members, is taking on a similar role in the North West.

A Vigorous Response

One of our supporters, Alan Appleby, recently wrote to his Member of Parliament and received the standard kind of "brush off" originating from the Treasury in reply that many of you will have seen. Below is his response which is a good summary of our position.

"The letter from the Treasury is claiming basically that cheating the shareholders will reduce the government's need to raise millions of pounds in taxes. It states that 'None of the (paid for) guarantees have been called and therefore there has been no cost to the taxpayer' (Northern Rock has paid them top %interest and £millions (£38m) in fees). You will note that the Northern Rock Annual Report confirms that NO MONEY WAS BORROWED FROM THE BANK OF ENGLAND UNTIL AFTER THE INFLAMMATORY STATEMENT WAS LEAKED TO THE BBC - STARTING THE BANK RUN!

The claim that "if it were not for the support of The Bank of England Northern Rock would have been unable to continue", is a red herring and a cover-up for failing to act last summer in the way they are now belatedly acting by putting £billions into the markets. Almost ALL blue chip companies would be in a similar position to Northern Rock, if their banks did not renew maturing company loans. The government has now recognized that business cannot continue without interbank and company lending, and it cannot nationalize everything in sight for free! After all the costs of an unnecessary bank run - exclusive to U.K., guarantee premiums, fees to the authorities, and write-downs in asset valuation, Northern Rock made a loss which is still only a fraction of last year's profits! It continues to trade, as it could have done in continued private ownership and still has assets over liabilities of over £3 a share.

Much rubbish has been leaked and circulated in the British press and media. It is likely that, like the nationalization legislation, the government will wrap its ill-thought out plans in lengthy obscurity, expecting M.P.s to nod in acceptance. You will note that neither the shareholders nor the unions were consulted, and that the government both denied the hybrid nature of the legislation and rushed it through, preventing M.P.s from consulting or seeking expert advice. Thousands of small shareholders and ex-company employees are being robbed of their investments to fund the Treasury! Northern Rock was penalised simply because it was the first to ask useless bureaucrats for assistance!"

Donations

Note that we do not provide an acknowledgement of all donations received because it would be a large amount of effort and cost a significant amount to do so. We do try to acknowledge any particularly large donations (and we have now had several over £1000), but if anyone specifically needs an acknowledgement or receipt then please contact me.

As usual can I remind those who have not yet donated that we still need more funds for this campaign.

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Note that all previous "Update" notes on Northern Rock that we have issued are present on the following web site page: www.uksa.org.uk/NorthernRock.htm