

# THE UKSA NEWSLETTER

**UKSA**  
UK Shareholders'  
Association

ISSUE 15

## Chairman's message

Dear members

At the time of writing we would be forgiven for thinking we are on the verge of another great financial crisis. Silicon Valley Bank went bust and had to be rescued in the US and UK (so much for having a US listing?). Credit Suisse needs rescuing. Yet again it appears that the people managing SVB were not wise enough to foresee the potential problems of taking short-term deposits from their customers and investing the monies in long-term government bonds when rampant inflation and rising interest rates could reappear. A lot of SVB's customers did foresee problems and started pulling their money out, which in turn led to the bank selling its assets at a loss and eventually having to close down. Credit Suisse seems to be suffering from management not really knowing how to properly manage and implement a governance and control system. These to me are one-offs from which lessons need to be learned and not yet a sign of another financial crisis – mainly because the majority of businesses, including banks, continue to be run on an adequate basis. Yet again they are also a lesson for us on keeping a regular check on our investments and trying to foresee if there are any problems with the ways management are running them.

I attended the Western Region's ShareTalk meeting on 3rd March and liked the discussion around "where next?" for 2023's ShareTalks, well chaired by Alan Cane. The UK Shareholders' Association members attending, from around the country, appeared to be asking mainly for members to share do-it-yourself investing information – member presentations on investing-related topics that they are keen on, their investment styles, what they are invested in and why and companies and/or sectors of interest. There is also a need to advertise what is going on and highlight events after they have happened, so full members can see what is available and associate and potential members can see what they are missing.

Towards the end of February we were asked by an associate at Mishcon de Reya if we have anyone they could talk to in order to understand how



*Charles Henderson -  
Chairman*

they might make it easier for shareholders, using the representative action mechanism under Rule 19.6 of the Civil Procedure Rules, to obtain redress for any losses caused by UK companies' false or misleading statements. If any member would like to help them, let me know and I will point Mishcon de Reya in your direction.

Malcolm Hurlston was recently quoted in the FT saying that cutting stamp duty on shares would boost the UK stock markets' competitiveness. One of the factors taken into account by companies raising public money is the subsequent liquidity of their (your) shares – SDRT on UK shares will be a drag on that subsequent liquidity. No other stock markets have a similar issue and that makes the UK stock market less competitive by comparison. Malcolm also kindly circulated to some of us a link on how our taxes are raised and spent - [Just how are our taxes raised and spent? - www.rossmartin.co.uk](http://www.rossmartin.co.uk). This shows that stamp duty (shares) (which I assume includes SDRT for digital transactions) tends to raise around 0.6% of our overall taxes and is not material in the context of income taxes that raise around 50% and VAT around 20% and could easily be replaced by small additional raises in these tax receipts. There tends also to be an argument that abolishing stamp duty benefits the rich, but who are these “rich”? It probably affects anyone who has an interest in UK shares, including pension members. If our government wishes to boost the competitiveness of our stock markets, they should consider abolishing stamp duty on shares.

Wishing you all a pleasant Easter.

## Policy Team news

We submitted [our comments](#) on CP22-27 (“Approval of Financial Promotions by unauthorised providers”) to the FCA. We welcomed the FCA’s proposals to introduce a gateway for firms who approve financial promotions on behalf of unauthorised providers. However, we said that we would like to see the FCA carrying out spot checks on approvers and approvals, adding that it is not clear why unauthorised firms should be allowed to promote and sell their products at all in the UK.

We [responded](#) to the FCA consultation CP 22-24 “Broadening access to financial advice for mainstream investments”. We felt that the consultation pays more attention to creating an additional market for the industry than it does to helping individual savers, and fails to address the perverse consequence that the current regulatory desire to protect consumers from unqualified financial advisers has led to a regime which makes it problematic for organisations like UKSA to help consumers, even though we are free from any conflict of interest.

We are now working on our submission to the FCA consultation DP 23/2 “Updating and improving the UK regime for asset management”.

Media: Policy director Dean Buckner appeared on the BBC news on 9 March, commenting on the £9m pay package for outgoing Shell



*Dean Buckner - Policy Director*

director Ben van Beurden. He said that the directors (employees of the company) should not be confused with the shareholders of the company, many of whom are either pensioners or members of a defined contribution scheme.

In a Financial Times article on 10 March, board member Malcolm Hurlston commented on stamp duty as being “probably one of the biggest competitive obstacles to investment in UK stock market shares. If it were removed, it would increase the UK stock market’s international competitiveness, especially with the US”.

Following our earlier letter to Andrew Bailey, we met Sarah Breeden (Executive Director for UK Deposit Takers Supervision at the Bank of England) on 6 February to register our concerns about (i) how the Bank had set out Liability Driven Investment accounting in its December Financial Stability Report, (ii) stress testing of long-dated yield changes and (iii) fragmented regulation of the pension sector. Pensions schemes can have a substantial impact on the valuation of a firm’s balance sheet. In a follow-up email, Ms Breeden thanked us for our feedback, promising a clearer explanation of LDI balance sheets in future Bank of England publications, and outlined the work that the Bank was doing with the government to engage with the other problems we highlighted.

## Northern Rock update

Former committee member and now adviser-in-waiting for the new committee, Pradeep Chand, provides a reminder as to why NRSAG’s cause remains relevant. The Treasury has avoided face-to-face meetings. We believe we know why. A senior Treasury source indicated to Pradeep that its top mandarins realised they would lose the argument face to face!

It is a heartfelt view from someone who has fought but not yet won and hopes others will now take this on.

“Despite HM Treasury’s forecasts of toxic debts, defaults, high-risk loans, 120 percent mortgages, and ascertaining Northern Rock was insolvent in 2008, seven years later the Treasury managed to provide the then chancellor, George Osborne, with a brilliant financial forecast. This was announced at the Mansion House annual dinner in June 2015. The Government would make a net profit of £9.5 billion from Northern Rock and Bradford & Bingley.

After 2015, the Treasury adjusted its position so that its response in 2018 to former NRSAG committee chairman, Dennis Grainger, in effect said: “You’ve had your independent valuation review, so clear off. HMG is keeping the money to offset other bank-related losses suffered by taxpayers.” For example, profit would be applied to offset Royal Bank of Scotland losses! The Treasury never stated in writing that Northern Rock would give them billions. The full [published accounts analysed by the late Bill Brown](#) (you can see a lot of his thoughts here [Bill Brown | UKSA](#)) determined that the actual real profit was £7.8 billion.



*Sue Milton - External Relations Director*

*"One day, a powerful Treasury Select Committee will expose the failure of the Tripartite System and the sheer scale of deceit, distortion and denial that led to Northern Rock's demise.*

*Fifteen years of research have convinced me that our senior Treasury mandarins are primarily responsible for the 'Confiscation' of Northern Rock plc, closely supported and advised by Goldman Sachs alongside a highly irresponsible leak about the bank by the BBC. The good guys, led by Hector Sants, even Lord King, who wanted an equitable outcome, were outflanked by a determined, disingenuous Treasury cohort.*

*150,000 small shareholders await justice. The Treasury is content to sit on an injustice because the £7.8 billion net profit from Northern Rock has helped cover massive losses on the Royal Bank.*

*I, too old, health critical, can no longer fight the elite mandarin establishment (who repeatedly refused a face-to-face meeting).*

*But it's not over, and delays will have huge consequences that dwarf the Equitable Life and Postmasters scandal."*

## The HonestMoneyNow website

New pages have been added to the [HonestMoneyNow](#) website to sharpen up the content on 'Compounding' and 'Counterparty Risk'.

### Compounding

Recent UKSA investigations have determined that the financial consequences of annual percentage charges on capital savings are not explained in any of the four government-sponsored advice sites. These are hardly likely to be explained on the sites of the wealth managers, fund managers and financial advisers who profit from it.

The HMN site had, and still has, a warning about [compounding](#) in its [Simple Investing](#) module. But it avoided the maths, in accordance with the philosophy of the site. Now, this has been supplemented with an optional commentary – [compounding effect](#) – which goes a bit deeper. In due course I hope to improve the graphs after being directed by Malcolm Hurlston to some extremely professional advice on visual presentation.

The ambivalence around compound interest features in Martin White's winning essay for the [Redington Prize](#) and in his private submission to a Treasury Committee. We hope to generate pressure on the Financial Conduct Authority to recognise its primary responsibility to the consumer by informing on this issue.



*John Hunter - former  
UKSA Chairman and  
creator of  
[HonestMoneyNow](#)*

## Counterparty Risk

Previously HMN had mentioned counterparty risk in the page on diversification, but without a full explanation. This has now been supplemented by a separate page in the 'commentaries' section - [counterparty risk](#). Perhaps the recent activity in Northern Rock made me more conscious of the need to take account of the security of the institutions we rely on.

## UKSA Events

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Company visits and analyst-style meetings are usually arranged by regional organisers and open to all UKSA member. All events are advertised in The UKSA Newsletter, on the Website and sometimes at short notice by email or phone. Places are often limited and availability is on a first come first served basis and so places should therefore be booked early. Some events are free to attend and others incur a small charge to cover venue hire and or catering. If an event is fully booked you will be put on a wait list. If you have to cancel be sure to advise the event organizer so that someone else can take your place. Events may be subject to postponement or cancellation at the request of companies to meet regulatory requirements or weather conditions, so please check for email or Website announcements before travelling. New members can book for an event immediately after [joining](#).

### NATIONAL EVENTS

For information, contact [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk)

### LONDON & SOUTH-EAST

For information contact Harry Braund on 020 8680 5872 or

[ChairmanLSEregion@uksa.org.uk](mailto:ChairmanLSEregion@uksa.org.uk)

Within this region there is a local **Croydon and Purley Group** which meets at the Spread Eagle pub in Croydon, usually on the second Tuesday of each month. Any UKSA member is welcome to attend and no booking is required. For information contact Tony Birks on 01322 669 120 or [ahbirks@btinternet.com](mailto:ahbirks@btinternet.com).

### SCOTLAND

'Volunteer Sought' contact [officeatuksa@gmail.com](mailto:officeatuksa@gmail.com)

### WESTERN

Events must be booked in advance. They are open to all members and their guests subject to availability, but Western regional members will be given priority. Members will be individually notified when the details are available.

We plan a mix of virtual and face-to-face meetings. There's no charge for meetings held through ZOOM. They usually take place on the first Friday of a month, from 4.30pm until 6.00pm. Arrangements may be flexed to enable participation by corporate guests within their company reporting calendars.

Face-to-face meetings are usually held at The King's Arms, Didmarton (near Badminton, Gloucestershire). A charge of £30 should be anticipated, including coffees and lunch. Events are at 10 for 10.30am and usually finish around 3.30pm.

Company visits may also be arranged when practicable, at a charge of £5 per head.

Meetings will be open to all members of UKSA. Guests welcome - if you wish to introduce a guest please contact the UKSA Office in advance by email - [admin@uksa.org.uk](mailto:admin@uksa.org.uk)

*For the latest details of UKSA events, click the [Events tab](#) on the [UKSA website](#)*

*Sue Milton has carried out a very timely examination of the potential of ChatGPT. This AI tool has the power to change many aspects of our day-to-day lives. Sue's findings are quite fascinating.*

## Building a relationship with ChatGPT

Now that ChatGPT has landed on our doorstep, I want to find out how good it is. Will it become the de facto place to go to, replacing Google? Replacing human experts?

Not yet.

One reason is that ChatGPT's access to data stops at the end of September 2021.

Another is that ChatGPT presents everything as a fact without sharing its sources. As a result, my assessment comes from my knowledge and a cross-check with Google.

ChatGPT is very wordy! It has to learn that 'less' is sometimes 'more'.

If you want to try it for yourself, you can sign up for free at <https://chat.openai.com/>

My question	ChatGPT's answer	Assessment score: 1 poor, 5 good.
What is ChatGPT?	I am ChatGPT, a large language model developed by OpenAI. I was trained on a massive dataset of text from the internet, which enables me to understand and generate human-like language. I can assist with a wide range of tasks, from answering questions to providing advice, generating text, and more. My goal is to provide helpful and informative responses to your queries.	4. I have to believe the answer. After all, if ChatGPT does not know, who or what does? But it does not volunteer its limitations. Although the website does.
Who is Sue Milton, formerly of the Bank of England?	Sue Milton served as the Director of the Bank of England's Special Resolution Unit from 2012 to 2017. This unit was responsible for handling the resolution of failing banks in the UK, including the management of bank failures during the financial crisis of 2008. Prior to this role, she had a long career in the banking and financial services industry.	1. I have not worked as a director in the Special Resolution Unit. But I have had a long career in financial services.
Who are the UK Shareholders' Association?	The UK Shareholders' Association (UKSA) is an independent, non-profit organization that represents individual shareholders in the United Kingdom. The association was founded in 1991 and aims to promote the rights and interests of private investors in public companies.  The UKSA provides its members with information and education on topics related to investing, including company performance, governance, and regulation. They also offer guidance and support on shareholder rights, such as voting at company meetings, and help members to engage with companies and their boards to ensure that their views are heard.	3. This is what we do but perhaps not quite how we promote UKSA now.

	<p>The UKSA seeks to improve transparency and accountability in corporate governance, and to encourage greater engagement and communication between shareholders and the companies in which they invest. They work to protect the rights of individual shareholders and to promote fair treatment of all investors. Overall, the UK Shareholders' Association seeks to ensure that private investors have a voice in the management of the companies they own, and to promote responsible and sustainable business practices in the UK.</p>	
<p>Who are the Northern Rock Shareholders' Action Group?</p>	<p>The Northern Rock Shareholders' Action Group (NRSAG) was a group of shareholders of Northern Rock, a former British bank that was nationalized by the UK government during the financial crisis of 2008. The group was formed to represent the interests of the shareholders who suffered losses when the bank failed and was taken into public ownership.</p> <p>The NRSAG campaigned for better compensation for shareholders who had lost money as a result of the nationalization, and they also challenged the government's handling of the Northern Rock crisis. The group was involved in legal action against the government, seeking compensation for shareholders who had lost money as a result of the nationalization.</p> <p>It's worth noting that the NRSAG was dissolved in 2017 after reaching a settlement with the UK government, which agreed to pay compensation to some of the shareholders who had suffered losses.</p>	<p>2. The main facts are there but with one huge error. NRSAG did not reach a settlement nor was it dissolved.</p>
<p>Who are the Reward Rate Shareholders Group?</p>	<p>The Reward Rate Shareholders Group (RRSG) is a group of Amigo Loans shareholders who have organized to lobby for better treatment of shareholders and a fairer resolution to the company's current financial difficulties.</p> <p>Amigo Loans has been facing financial difficulties in recent years and has been embroiled in controversy over its lending practices and treatment of customers. The RRSG is made up of Amigo shareholders who believe that the company has not been transparent or fair in its dealings with investors.</p>	<p>3. The facts are there but it looks like it has taken some information from ASAG's (the Amigo Shareholders' Action Group) activities.</p>

	<p>The RRSB has been calling for better communication and transparency from Amigo's management, as well as a fair resolution to the company's current financial difficulties that takes into account the interests of all shareholders. The group has also been critical of the Financial Conduct Authority's handling of the situation, arguing that the regulator has not done enough to protect the interests of shareholders.</p> <p>Overall, the Reward Rate Shareholders Group is a group of Amigo Loans shareholders who have come together to advocate for greater transparency and fairness in the company's dealings with investors, and to ensure that the interests of all shareholders are taken into account.</p>	
<p>What is the difference between equity and shares?</p>	<p>Equity and shares are closely related concepts, but they are not exactly the same thing.</p> <p>Shares are a unit of ownership in a company that represent a portion of the company's overall ownership. When you purchase shares in a company, you become a shareholder and own a portion of the company proportional to the number of shares you own. Shares can be bought and sold on stock exchanges, and their value can rise or fall depending on the performance of the company.</p> <p>Equity, on the other hand, is the difference between a company's assets and liabilities. It represents the residual value that would be left over if all of the company's debts were paid off. Equity can also refer to the value of an individual's ownership in a company, which is equal to the value of their shares plus any retained earnings or other assets held by the company.</p> <p>In summary, shares are units of ownership in a company, while equity is the residual value that remains after all debts and liabilities have been paid. When you own shares in a company, you have equity in that company proportional to the number of shares you own.</p>	<p>4. I found this a good explanation.</p>



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The UKSA Board

24 March 2023

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