

To Northern Rock Shareholders

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**UK Shareholders Association**  
BM UKSA  
London  
WC1N 3XX

Phone: 0870-70-60-600  
Email: [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk)  
Web: [www.uksa.org.uk](http://www.uksa.org.uk)

## **Northern Rock Shareholders Action Group – Update No. 27**

### **URGENT CALL TO CONTACT YOUR MEMBER OF PARLIAMENT**

The Northern Rock Compensation Order is to be debated by Parliament next week. We believe it is critical if you wish to receive fair compensation for the confiscation of your shares that you express your outrage to MPs as to the basis on which HM Government propose to value Northern Rock shares.

#### **The Compensation Order**

HM Treasury has stated that an independent valuer will be appointed to determine compensation for Northern Rock shareholders. However, the Northern Rock Compensation Order 2008 requires the valuer to assume that Northern Rock:

- a) is unable to continue as a going concern; and
- b) is in administration.

Both criteria ignore the facts and we consider it ethically and morally unjust for a Government to contrive to fix the terms of compensation in this way. As a result of the above any valuation process will not be objective and independent.

#### **The Facts**

Northern Rock is not and never was in administration.

Northern Rock is and was at all times a going concern. This is because the Bank of England has not asked for the repayment of loans and HM Treasury has not withdrawn its guarantees.

The Chancellor and the FSA have repeatedly asserted that Northern Rock is a solvent company.

#### **The Valuation Process**

The Government has stated that "the advantage of a truly independent panel is that it would be fair to all stakeholders and avoid expensive and time consuming litigation." This is untrue. The terms of reference in the Compensation Order will mean that the panel cannot value the Company in accordance with conventional standards and practices.

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

The United Kingdom Shareholders' Association Limited. Registered in England No. 4541415

It is a fundamental breach of natural justice for the Government to confiscate property and to dictate the terms of any compensation award to shareholders. This is more acute given that the Government's failings detailed below in managing the crisis materially contributed to Northern Rock's erosion in value:

- The leak (which appears to have come from one or other arm of the Government) to the BBC that the Bank of England was making available lender of last resort facilities to Northern Rock. As presented by the BBC to the public, this resulted in a panic by depositors and a serious erosion of depositors funds;
- The dithering by the Government in not wanting to sell Northern Rock to Lloyds Bank at the time a general election was contemplated;
- The charade of courting the private sector to manage Northern Rock while the Government continually changed the criteria by which it would judge the private sector proposals;
- These circumstances are all of the Government's own making and it is now wrong for the Government to benefit from their own actions and mismanagement without providing due compensation to Northern Rock shareholders.

### **What is Required?**

MPs need to be persuaded that proceeding to value Northern Rock on the basis set out in the Compensation order will be subject to legal challenge.

A valuation mechanism independent of Government influence in terms of criteria and panel composition needs to be put in place.

Your MP should argue for:

An independent professional valuation panel

The ability of the panel to determine its own valuation criteria.

While private shareholders will be materially disadvantaged by the terms of the Compensation Order they are not the only victims. Thousands if not millions of UK citizens hold shares in Northern Rock through their pension providers and fund managers.

We ask you to contact your local MP (and any members of the House of Lords that you know also), and email or fax them to make representations on this matter in the debates next week or otherwise. If possible put it in your own words, but if necessary you can use the template that is given later.

You can find out who your MP is and their email address by going to this web page: [www.parliament.uk/directories/hciolists/alcm.cfm](http://www.parliament.uk/directories/hciolists/alcm.cfm) . If they don't show an email address, use this site: <http://www.theyworkforyou.com> . Please send an email or fax as soon as possible (don't post a letter as it will be too late).

## **Other News**

Note that we advised some European based shareholders of our bank BIC number for donations but that was given wrongly. The correct number is MIDLGB2162V. The Appeal Form on our web site has been corrected accordingly.

The BBC have a copy of an interview I gave for Breakfast TV the day after the announcement of nationalisation on their web site - see [http://news.bbc.co.uk/player/nol/newsid\\_7250000/newsid\\_7250300/7250313.stm?bw=bb&mp=rm&asb=1&news=1&bbcws=1](http://news.bbc.co.uk/player/nol/newsid_7250000/newsid_7250300/7250313.stm?bw=bb&mp=rm&asb=1&news=1&bbcws=1) .

Thanks for the volunteers to join our committee, and for the three people who have volunteered to act as representative plaintiffs in any legal actions. A new list of committee members for this group will be issued as soon as possible, but we would welcome more people who have some spare time to devote to this matter. We would also welcome more people for our "media panel" (i.e. those willing to talk to the press) who obtained shares in the original demutualisation of Northern Rock. Please contact me if you can assist.

Roger Lawson  
Communications Director, UK Shareholders Association  
Email: [uksa@uksa.org.uk](mailto:uksa@uksa.org.uk)  
Web: [www.uksa.org.uk](http://www.uksa.org.uk)  
Direct telephone: 020-8467-2686

Suggested note to your MP:

Dear -----,

Next week Parliament is to debate the Compensation Order that will set the amount paid to Northern Rock shareholders for the confiscation of their shares. As a former shareholder in the company, and one of your constituents, I have a personal interest in this matter and would like you to make representations on this issue.

In summary, the proposed valuation of my shares is being artificially determined by the Government and is not on a fair and independent basis. They have set the terms of reference so that the result will almost certainly be a negligible valuation. I believe this is unethical and is also a breach of my human rights.

If the Government does not reconsider on this matter I intend to support the UK Shareholders Association who are planning to pursue legal action to gain fair compensation for shareholders like me.

The key issue is that HM Treasury has declared in the Compensation Order (see [www.opsi.gov.uk/si/si2008/draft/pdf/ukdsi\\_9780110810058\\_en.pdf](http://www.opsi.gov.uk/si/si2008/draft/pdf/ukdsi_9780110810058_en.pdf) ) that an independent valuer will be appointed to determine compensation for Northern Rock shareholders. However, the Order requires the valuer to assume that Northern Rock:

- a) is unable to continue as a going concern; and
- b) is in administration.

Obviously the company was not in administration at the time of nationalisation, and was, and still is, trading normally and as a going concern (as Government Ministers have repeatedly stated).

Both criteria ignore the facts and we consider it ethically and morally unjust for a Government to contrive to fix the terms of compensation in this way. As a result of the above any valuation process will not be objective and independent. The terms of reference in the Compensation Order will mean that the panel cannot value the Company in accordance with conventional standards and practices.

We ask that you request that the Government set the terms of reference such that any valuation is not prejudged and that it is on a normal commercial basis, and that the Compensation Order be revised accordingly.

Yours sincerely

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