

To Northern Rock Shareholders

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## **Northern Rock Shareholders Action Group – Update No. 32**

### **Latest News**

I indicated in our last note that we expected a response last Wednesday from the Government to the “Letters before action” submitted by our lawyers, and those acting on behalf of SRM Global and RAB Capital some weeks ago. Apparently this is now expected on Monday (the 21<sup>st</sup> April). Unless the response is positive we will of course proceed with an application for a Judicial Review of the terms of the nationalisation and of the “Compensation Order” as we have previously indicated.

There is no news on the appointment by the Government of any valuer to determine a compensation figure under the existing Compensation Order – it seems they may be having some difficulty finding someone willing to do it. As we pointed out in a previous note, the terms of reference given in the Compensation Order make a mockery of the normal valuation principles followed by professional company valuation experts, so that is perhaps not surprising.

It has been reported that Legal & General, one of the larger institutional holders of Northern Rock shares, will support the action for a Judicial Review and join as an “interested party”. This certainly adds credibility to our case.

We will advise further news as it becomes available.

### **What Our Group Has Been Doing**

We have continued to raise funds and increase our contacts among former Northern Rock shareholders. We have now raised about £60,000 which is a good start but we need more if we are to participate properly in the proposed legal action. **IT IS VERY IMPORTANT THAT EVERYONE WITH AN INTEREST IN THIS MATTER CONTRIBUTES.**

If you have not yet contributed please go to this web page and follow the instructions: [www.uksa.org.uk/Appeal.htm](http://www.uksa.org.uk/Appeal.htm) . You can now donate very easily via credit card on-line so there should be no excuse not to do so. All contributions are welcome and thanks to all those who have contributed so far, particularly from those who have already donated more than once.

Some of the funds we have raised will be used to do additional mailings to people on the share register (there are about 70,000 that we have not yet mailed) and follow up some past contacts – some of our early contacts back in October 2007 probably need following up again as the situation is now very different.

We now have 20 volunteers to act as representative plaintiffs in the proposed legal action, which is more than enough.

We have also strengthened the Committee that oversees this group and the full list of Committee members is now as follows (they are all Northern Rock shareholders of course but with a variety of backgrounds): Roger Lawson, Robin Ashby, Dermot Driscoll, Sean Horsey, Alan Chissick, Dennis Grainger, Chris Hulme, David Ellis, Shumsheer Ghuman, Pradeep Chand, Jason Fellner, Deepa Veneik and Robert Machen.

A list of shareholders has been put together who are willing to talk to the press and we are working on putting together some profiles of typical shareholders for our web site – we are keen to counter the suggestion made by the Government that the only shareholders left at the date of nationalisation were short term speculators who accepted the risk of nationalisation and the risk of losing all their investment based on the Government's reluctance to pay any compensation.

### **Restating a Few Key Points**

Many Northern Rock shareholders who contact us for the first time seem not to understand what the current position is, so it's worth restating it here:

1. The Government has confiscated your shares and you no longer own them.
2. The Government has said they will pay compensation to the former shareholders, but this is not likely to be a reasonable amount because they have deliberately rigged the terms of reference for the valuation to ensure you get little or nothing. At best it might be a few pence per share, when any unbiased and fully independent valuation would almost certainly come up with figure of a few pounds per share.
3. The Government is not going to give you your shares back in the future. It has said that Northern Rock will be "returned to the private sector" in due course – perhaps in a couple of years time – but there is no commitment to return them to former shareholders and no suggestion that you will participate in this process. Indeed it seems most likely that the company will simply be sold off to the highest bidder to maximise the profit to the Government.
4. The Government is almost certainly partly to blame for the difficulties faced by Northern Rock and there was no good reason why it should have been nationalised as there were good private sector solutions on the table.
5. If you want to obtain justice, and recover some of your financial losses, then legal action is the only course left open to us. And our legal advice is that we have a good case for pursuing such action.
6. We are campaigning for fair compensation for former shareholders, based on normal commercial principles applying to the valuation of companies, not on a figure dictated by the acquirer (in this case the Government).

Our case is more fully explained on this page of our web site:  
[www.uksa.org.uk/NorthernRock.htm](http://www.uksa.org.uk/NorthernRock.htm)

## Other News

The Government continues to provide support to the banking sector with the provision of billions of pounds of facilities, but unlike the case of Northern Rock this is being done without any fuss or great publicity. On Friday it became public knowledge that the Bank of England was going to create £50bn of funding for banks by swapping one-year Government bonds for mortgage assets (the one year basis is to avoid them becoming counted in the public sector borrowing requirement).

This demonstrates how badly Northern Rock was treated in comparison with other banks, and how the normal provision of facilities under the "lender of last resort" provisions was grossly distorted by the media as if it was a "bail-out" of a failed business when that was very far from the truth.

Royal Bank of Scotland is also now going to do a major rights issue (possibly the largest ever in the UK) which involves raising cash from its shareholders. This just shows that even the largest UK banks are being affected by the credit crisis and that Northern Rock may simply have been unlucky to be the first major UK financial institution to be affected.

Unfortunately for Northern Rock shareholders, the Bank of England and the rest of the Government seem to have learned from their mishandling of that case. Such facilities would almost certainly have prevented the "Run" on Northern Rock last September but the "U" turn is seven months too late.

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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](http://www.uksa.org.uk/NorthernRock.htm)*