

To Northern Rock Shareholders

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Northern Rock Shareholders Action Group – Update No. 54

Appeal Lodged

An appeal against the judgment in the judicial review on the compensation terms for shareholders in Northern Rock has been lodged. It is likely to be heard by the Appeal Court in June/July apparently.

National Audit Office Inquiry

The National Audit Office (NAO) have published a report in the nationalisation of Northern Rock and it contains a number of criticisms. Apparently there was concern raised about the deficiencies of the Tripartite Authorities regime and how it could deal with major crises at banks as early as 2004, but the Treasury judged it was not a priority to fix the problems.

In addition Northern Rock wrote some £800million of “Together” mortgages which lent people as much as 125% of the value of their homes after the Government started funding the company. These mortgages have a higher default rate than others. Of course the Government did not have control of the company until after nationalisation so this is not totally surprising. However, we did point out at the time that one of the failings of the company and its management was not to tackle the financial structure of the business aggressively when the problems first arose. Instead the company got bogged down in the distraction of a “strategic review” and a new business plan was not formulated and execution commenced until after nationalisation took place. Many months were wasted in internal debates and conversations with third parties about what to do, instead of cutting mortgage lending and putting the company on a better financial basis.

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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