

## Press Release

For immediate release

09 July 2009

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### **West Bromwich Building Society PIBS**

The UK Shareholders Association (UKSA) has been approached by several holders of the PIBS issued by the West Bromwich Building Society following the announcement of the debt restructuring and associated changes to the interest they will receive on the PIBS.

One such holder is Peter Morgan, a Chartered Accountant. Mr Morgan is very concerned about the Society's proposals for the 6.15% Permanent Interest Bearing Shares ("PIBS") and the process employed to implement these. On 12 June 2009, the Society announced that the future coupon will be reduced, on a permanent basis, to the lower of the current coupon and the yield on the new Profit Participating Deferred Shares ("PPDS"). The latter were issued to debt holders under the Capital Exchange announced simultaneously with the PIBS proposals. Based on, say, future post tax profits of the Society of £10 Million, the annual yield would be circa 3% p.a. so PIBS holders might **suffer a halving of their income.**

#### **Massive destruction of capital value**

Although the future yield is difficult to forecast exactly, the likely impact on the yield on the PIBS and the uncertainty attached to it has resulted in the market value of the Society's PIBS falling by two thirds. The values of PIBS in other Societies have also fallen significantly because the example being set by the West Bromwich BS suggests that the FSA will condone changes to the coupons on PIBS without the consent of the PIBS holders.

There was no consultation with PIBS holders or opportunity for them to take legal advice on this matter before the restructuring was announced.

#### **No Consent to a Fundamental Change to the Prospectus Terms**

The Society considers that there is no requirement to seek PIBS holders' consent to the changes. The prospectus issued with the PIBS requires PIBS holders to agree changes in the terms and conditions by a three quarter majority at a specially convened meeting. But the Society contend that the proposals are covered by their Board's right as defined in the prospectus to vary the coupon at each half yearly payment date and particularly when the asset ratios have fallen. But we would argue this does not give them a general right to vary the terms at will and fundamentally change the terms under which the PIBS were issued.

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The right to vary the coupon is also restricted by a requirement to call a general meeting of the Society on each occasion that the coupon is varied. Hence the Society is now considering seeking members' consent to delete or modify that requirement, in order to avoid the continuous expense of calling such half yearly meetings. If PIB holders agree to that, it would amount to consenting to the changes in all but name.

The supervising body for building societies is the FSA. The FSA appears to have approved the actions of the Society. No doubt such approvals were influenced by the need to boost the capital ratios as a matter of urgency to prevent the failure of the Society. But in giving its approval, the FSA appears to have overlooked the dramatic effect these proposals have on PIBS holders and their responsibilities to ensure that the interests of all building society members are dealt with fairly.

The Capital Exchange was arranged in great haste because of perceived concerns about the Society's financial position, albeit the Society had reported reserves of £265 Million at 31 March 2009, after a post tax loss of £40 Million. This is hardly another Dunfermline Building Society. Now that any concerns about the Society's financial position have been allayed, Mr Morgan is calling for dialogue between PIBS holders, the PPDS holders, the Society and the FSA, to correct the unfair treatment of PIBS holders and to restore confidence in financial instruments issued by building societies.

### **Attempts to communicate with the PIBS holders frustrated**

Mr Morgan's attempts to contact other PIBS holders to discuss his concerns have so far been frustrated by the Society and by the Data Protection Act. The Act prevents access to the register of PIBS holders, unless individual holders grant permission. The Society has refused to write to PIBS holders requesting permission for his writing to them. Nor will the Society agree to send a copy of his comments to PIBS holders alongside its own communications.

By issuing this press release, we hope the media will alert other PIBS holders to these concerns and encourage them also to protest to the Society and to the FSA. If the Society continues to refuse to listen and the FSA takes no action, PIBS holders should contact Mr Morgan via UKSA with a view to more coordinated action.

### **For further information, please contact:**

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### **About the UK Shareholders Association (UKSA)**

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is a "not for profit" organisation which is financially supported primarily by its individual members.