

BBAG – Bradford & Bingley Action Group

George Osborne, M.P.
Chancellor of the Exchequer

Via Email.

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Bradford & Bingley Plc (B&B)

Dear Mr Osborne,

I am chairman of the Bradford & Bingley Action Group (BBAG) a voluntary body whose committee members do not receive emoluments or draw personal expenses. We represent nearly one million B&B share and bondholders, most of them small private investors including B&B employees, both past and present, who used their bonuses and SAYE schemes to purchase shares of the company in which they worked. We have written to your predecessor and also to the previous Prime Minister Gordon Brown at least six times, we did receive acknowledgments of some of our letters but there is no record of a substantive reply to our request for full details of the sequence of events prior to and post the nationalisation of B&B.

Since the formation of BBAG in November 2008 I have responded to over a thousand telephone calls, letters and emails from B&B investors, a fraction of the total received, the general view expressed is one of astonishment at the way their company appears to have been confiscated. The sense of outrage against the B&B board and the various government agencies involved is palpable. We did receive a belated reply from Lord Myners many months after our first approach to the Treasury, he responded in fairly general terms which did not answer our requests for information.. Our supporters have also written to the Cabinet Office at No 10, the Treasury, the Bank of England (BoE) and the Financial Services Authority (FSA) asking, under the Freedom of Information Act, for records of the events in the twelve months prior to the nationalisation of B&B. The Treasury and the BoE replied saying that it would be too costly to provide such details, the FSA never replied and the Cabinet Office said they had no files whatsoever.

A considerable amount of my and my colleagues' time is spent attempting to persuade our supporters that the only way to achieve our objectives is to make representations to the Government of the day in a controlled and balanced manner based on all the facts and that the use of emotional language with threats of legal action is not helpful. However this approach becomes increasingly difficult to follow when the various government agencies involved have in the past failed to provide the information requested. Furthermore, their position as the owners of the company was undermined by the statement of Ian Pearson, the former Economic Secretary to the Treasury, to the effect that the objectives in assessing the various bids for B&B were financial stability and protecting depositors and taxpayers. There was no mention of securing value for the shareholders.

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Approximately two weeks after the nationalisation of B&B the previous Government commenced a covert financial support operation of the Royal Bank of Scotland (RBOS) and Halifax Bank of Scotland (HBOS) totalling sixty one billion pounds, this after failing to support B&B. Since then these two banks have been able to pay billions of pounds in bonuses to many of their employees some of whose past activities may well have contributed to the financial meltdown from which we are all suffering now. Many of our supporters believe this was a political decision made by the clique at the head of the Labour party protecting their own interests in the heartland of their Scottish power base at the expense of the rest of the UK

Recently, Peter Clokey, the independent valuer appointed by the previous Government, has decided the undated B&B bonds, formerly known as PIBS, and mainly owned by working people and pensioners, are not part of the valuation process under the Compensation Order. This is in stark contrast with the dated bonds which are mainly owned by the institutions. The failure of the previous Government and its various agencies to provide full details of the sequence of events in the twelve months prior and post nationalisation together with Peter Clokey's terms of reference, place BBAG at a considerable disadvantage in analysing the valuation process properly. This has forced BBAG to make a formal complaint to the Information Commissioner under the Freedom of Information Act and secure legal advice as to whether the Compensation Order fails to comply with Human Rights legislation. This has to be paid from the voluntary contributions of our supporters who as tax payers have also paid for the legal advice that the previous government received, this is manifestly unfair.

The background to all this has been the failure of the tripartite regulatory system, namely the Treasury, the Bank of England and the FSA, which has nationalised a solvent profitable bank with adequate liquidity and one of the best Tier 1 capital ratios in the UK at the time. The government of the day has a duty of care to investors which the previous administration failed to provide, its replies to our requests for the facts were a mixture of obfuscation and disingenuous comment which makes a mockery of the financial services legislation which was meant to protect the general public. In our view the previous Government's action in nationalising B&B and selling the savings book to a Spanish bank was a terrible mistake made in haste and probably for political reasons. It has robbed nearly one million shareholders of their stake in a well capitalised bank, stopped interest payments to bondholders, many of them pensioners relying on this income in their retirement, and destroyed B&B as a viable business which was the only bank to be treated in this way. It is time for all the past deceits to be swept away and the truth to be told. Sunlight is the best disinfectant.

On a personal note I wish you and your colleagues well in resolving the grave financial problems that face all of us in the decades ahead.

Yours faithfully

David Blundell
Chairman