

# BBAG – Bradford & Bingley Action Group

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## PRESS RELEASE

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### **Comments on the Valuation of Bradford & Bingley**

The Bradford & Bingley Action Group deplores the recent announcement by the independent valuer that puts a nil valuation on the shares in the company.

Bradford & Bingley Plc was nationalised on the 29<sup>th</sup> September 2008 and the retail branch network and associated depositors' accounts were then immediately sold off to Santander. All shares held by the general public, which we believe includes more than 1 million individuals, were confiscated by the nationalisation and the company is now owned by the Government. The announcement issued by the Treasury on the day of nationalisation said "*The FSA determined on Saturday morning that the firm no longer met its threshold conditions for operating as a deposit taker under the Financial Services and Markets Act 2000 and FSA rules*" and we have been trying to find out ever since exactly what conditions were breached, although the independent valuer's report gives some hints.

Bradford & Bingley had completed a large rights issue only weeks before nationalisation, and claimed as a result to have a stronger balance sheet than most other banks. It also seems unlikely that it was running out of cash.

Shareholders in the company say it was a valuable property and was still trading as a "going concern". We question whether it had received any financial support from the Government other than normal market assistance from the Bank of England, and we suggest lending under the Special Liquidity Scheme (SLS) which was available to all banks should be considered to be such. In other words it was not in the same situation as Northern Rock, although the same Act of Parliament was used to nationalise it. The terms of reference of the Compensation Order were also more favourable than applied to Northern Rock.

Shareholders should receive fair compensation for the value of any assets confiscated by the Government. This is a well established principle of international law and is supported by the European Convention on Human Rights. This is not a fair result and ignores the representations we made to the independent valuer. Our view is that the value of the company was of the order of £1 per share, if valued under normal commercial principles. We will be taking legal advice as to whether a challenge to the valuation should be mounted.

Note that we will also demand to see all the information that Mr Clokey has used in determining his valuation to which we have not yet had access. We will be issuing a fuller statement on this matter after we have analysed the Assessment Notice in more detail.

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The independent valuer has also rejected the claims of the undated subordinated bondholders (formerly called PIBS) that the nationalisation of the company has severely damaged their interests and hence should be covered by the Compensation Order. Although these bonds are still trading, and have not been confiscated, they have lost most of their value and are no longer paying interest on them.

David Blundell  
Chairman

**For more information:**

Please refer to our web site at [www.bbactiongroup.org](http://www.bbactiongroup.org) for more background information or call David Blundell on 0113-281-3941 or Roger Lawson on 020-8467-2686 if you have some questions.

The independent valuer is Peter Clokey of PwC and his web site is at: [www.bandbvaluer.org.uk](http://www.bandbvaluer.org.uk) . The submission we made on the valuation to Mr Clokey is present here: [www.bbactiongroup.org/Submission%20to%20PeterClokey.pdf](http://www.bbactiongroup.org/Submission%20to%20PeterClokey.pdf) and this note gives some information on the approach we think should have been taken to valuing the company: [www.bbactiongroup.org/BBAG\\_Valuation.pdf](http://www.bbactiongroup.org/BBAG_Valuation.pdf)

Please note that the Bradford & Bingley Shareholders Action Group has recently been established as an incorporated body (a company limited by guarantee) so that it is clearly separate from the UK Shareholders Association (UKSA) who assisted in the initial formation of this Group. A note to our supporters that explains that in more detail is also obtainable from the aforementioned web site.

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