

13 August 2010

PO Box 62
Chislehurst
BR7 5YB

Phone: 0113-281-3941
Web: www.bbactiongroup.org
Email: dwwb@btinternet.com

Note for Ordinary Shareholders (Update No. 5)

Representation on Compensation

On behalf of the Bradford & Bingley Action Group (BBAG) I have written to Peter Clokey (the independent valuer appointed by the previous government) requesting reconsideration of his nil valuation given in his "Assessment Notice". This letter is available from the News section of our website - see www.bbactiongroup.org/News.htm (click on to access).

The contents of a prior letter from Mr Clokey to BBAG dated the 4th August replying to a previous letter from us can be summarised as follows:

He was required by the Compensation Scheme Order (The Order) to include in each of his Assessment Notices the reasons for his decision and in his view he has done so. He also has regard to the restrictions imposed by the Order on the extent to which he may disclose information that he has obtained for the purpose of assessing the amount of any compensation payable by her Majesty's Treasury. Mr Clokey is also satisfied that the deadline set out in the Assessment Notices, namely the 27th August, for the submission of any requests for reconsideration is reasonable. It is BBAG's view that Mr Clokey and his team have been reasonable in their approach to the valuation of B&B within the terms imposed by the Order and have been co-operative to the extent allowed by their remit.

BBAG however contests the assumption that the Special Liquidity Scheme (SLS) loans were not 'ordinary market assistance' when more than 30 banks had and continue to use that facility. In this context statements in a European Commission publication relating to it giving clearance to the State aid provided by the UK government in the early part of the financial crisis in the banking markets, so as to add to systemic liquidity, are of particular interest. To quote:

"The UK authorities accept that the recapitalisation scheme and guarantee scheme contain State aid elements. In their view the extension of the SLS is part of the essential role of the Bank of England (BoE) and therefore not a state aid. In the event that the Commission concludes that the Liquidity Measures do contain aid elements, the UK government submits that they form part of a wider package to remedy a serious disturbance in the economy of the United Kingdom which is compatible with the common market."

It seems from this that the previous government has specifically argued to the European Commission that the SLS is part of the normal working of the Bank of England.

BBAG's main concern is that we do not have access to the information available to Mr Clokey in respect of the sequence of events pre and post the nationalisation of B&B. Nor are we able to judge the valuation properly without more details of the assumptions on asset value trends, asset disposals and mortgage default trends. BBAG has made the same point repeatedly for over nineteen months; namely that the previous government has steadfastly refused to provide any details of the sequence of events pre and post the nationalisation of B&B.

BBAG believes there was considerable manipulation of the media in the weeks prior to the company's nationalisation, thus creating a false market in its shares. In our view the decision, manner and process of the nationalisation of B&B by the previous government was deeply flawed, misguided and unnecessarily disadvantaged nearly one million private investors. A full independent inquiry is necessary to ensure an event of this nature never occurs again

We would urge all Bradford & Bingley investors to write to their Members of Parliament urging support for an independent inquiry. You can find out who your MP is by going to this web page: www.parliament.uk/business/commons/ and entering your post code in the top right hand corner. It gives a postal address and often an email address if you follow the links. Alternatively use this site: <http://www.theyworkforyou.com> . Please send an email or post a letter to them, as soon as possible.

You should also make the point that the previous Government predetermined the valuation process by imposing artificial conditions on the valuer, and concealed the fact that the valuation was being controlled in this way by not disclosing the existing loans to B&B under the SLS. Note that we have not provided a "template" letter because it is always best to put such letters to MPs in your own words. A personal communication is much more effective than a standard letter that is obviously copied. But you can always add a copy of my letter to Mr Clokey to provide further explanation.

You could also write to Peter Clokey expressing the same concerns as I put in my letter to him.

David Blundell
Chairman