

The UK Shareholders Association (UKSA)

Northern Rock
Shareholder Meetings
(July 2008)

Roger Lawson

UKSA_Northern_Rock_2.ppt (Revised 28-Jul-08)

What UKSA Does

- Promotes your rights as a shareholder.
- Promotes good standards of corporate governance.
- Campaigns for a fair market and fair tax treatment for private investors.
- Provides education and other benefits to members.

Promotes Shareholder Rights

- To the Government and Institutions (eg. Company Law Reform Bill, Share Transfer Dematerialisation and Nominee Enfranchisement). See “News” and “Policies” section of web site for examples.
- To Companies. For example, Railtrack, Murray VCTs, Northern Rock.

Education Provision

- Regional & Local Meetings
- “Analyst” Style Company Visits
- National Conference
- Education Programme
- Web Site



Web Site

- Go to www.uksa.org.uk

The screenshot shows a web browser window displaying the UKSA homepage. The browser's address bar shows the URL <http://www.uksa.org.uk/index.htm>. The website header features the UKSA logo and the tagline "The independent voice of the private shareholder". Below the header is a navigation menu with links to Home, About, Membership, News, Newsletters, Events, Education, Policies, Companies, Links, Legal, Search, and Contact. The main content area includes a brief introduction to UKSA, a photograph of an "action" group, and a section for "Latest News" with links to "It's Raining Corporate Governance Statements" and "BAA Forced to Take Vote on Free Parking for MPs". A sidebar on the right contains a message from Roger Lawson, the webmaster, and a copyright notice at the bottom.

UKSA
The United Kingdom Shareholders' Association
The independent voice of the private shareholder

Home Page - A Brief Introduction to UKSA

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UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect your rights as a shareholder in public companies, and promote improved standards of corporate governance (the picture on the right shows one of our "action" groups).

Our educational activities, regular regional meetings and the resources on this web site also enable you to become more expert in investment management, whether your portfolio is large or small.

To learn more about **UKSA**, click on the [About](#) link from the menu on the left. For terms of use of this web site go to the [Legal](#) page. For more information on the benefits of joining the Association, go to the [Membership](#) page.

Latest News (click on story for more details)
[It's Raining Corporate Governance Statements](#)
[BAA Forced to Take Vote on Free Parking for MPs](#)
[More News Stories.....](#)

This web site has just been relaunched with several new pages, but not all is yet complete. Please bear with us. But if you have any comments, please go to the Contact page and give us your thoughts.....

*Roger Lawson,
Webmaster*

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UKSA Organisation

- UKSA is a non-profit making organisation owned by its members (a company limited by guarantee).
- Governed by an unpaid board of directors, and supported by a regional network.
- The Northern Rock Shareholders Action Group is effectively a sub-group within UKSA led by a committee of NR shareholders, and supporters don't have to join UKSA.

Northern Rock Events

- Aug 9th 2007 – Interbank lending market closes, due to subprime lending crisis in the USA.
- Aug 13th – NR approached FSA re looming funding crisis. Share price continues to fall on rumours of profits warning.
- Sept 5th – LloydsTSB rejects takeover unless Bank of England (BofE) provides £30bn facility.
- Sept 12th – Governor of BofE warns MPs about “the moral hazard of bailing out reckless lenders”.
- Sept 13th – BBC leaks grant of emergency financial aid by BofE as “lender of last resort” to NR.
- Sept 14th – Company rushes out statement. Queues appear at NR branches and share price falls rapidly.
- Sept 17th – Treasury guarantees NR deposits.

Northern Rock Events - 2

Subsequently:

- UKSA opposes “fire sale” and calls for new Chairman.
- Matt Ridley resigned as Chairman.
- Bryan Sanderson appointed.
- UKSA demands that shareholders have a vote on any proposals for the company.
- Several expressions of interest, including Cerberus, JCFlores, Olivant, Virgin Group etc.
- More board changes and Applegarth resigns.
- EGM where it was clear that shareholders could block any bid they did not like (e.g. Virgin’s)

What Caused the Crisis?

1. The “run on the bank” due to the BBC announcement which caused £12bn to be withdrawn in due course. This leak of confidential information, presented by Robert Peston in a melodramatic way with the “don’t panic” imperative (rather like Cpl. Jones in Dads Army) was critical. Before this happened the company was not in great difficulty at all.

The Government has persistently avoided any investigation of who leaked this information (we believe it probably came from a Government source) and it was ignored by the Treasury Select Committee.

What Caused the Crisis - 2?

2. The failure of the Government and Bank of England to provide liquidity into the money markets and provide “lender of last resort” funding when asked (as other central banks had done) – plus general prevarication and delays when the crisis arose.

The Governor of the Bank of England delayed granting assistance as a result of inventing “moral hazard” as a reason for not providing “lender of last resort” funding.

What Caused the Crisis - 3?

3. Former directors should not be made scapegoats as they were not the prime cause of the problems, although clearly their strategy may be questioned.

But would any other experienced directors have acted differently as the crisis loomed, and could the directors have anticipated the run on the bank and the lack of support from the Government?

Why Nationalisation?

The Government had a good private sector solution on the table (the “in-house” one), but still chose to nationalise. The Government would have been repaid it’s loans rapidly as the company recovered (as it is doing - as we expected).

Why Did the Government Choose to Nationalise?
Because it will enable them to make a profit in due course!

Legal Case Basis

Application to the High Court for a Judicial Review based on the European Convention on Human Rights.

In essence that the Act and the Compensation Order is unfair and is disproportionate in that it is clear that no compensation will be paid if the Government's valuer follows the laid down terms of reference. It's simple confiscation of private property.

Likely to be in court by the end of this year.

Legal Action Details

Court case being pursued by UKSA (via representative group of private shareholder plaintiffs), SRM and RAB. Legal & General also supporting.

Our lawyer is David Greene of Edwin Coe LLP.

Other legal actions may also be pursued.

Currently we have about 30,000 supporters who have raised about £150,000 so far.

Why Aren't we Suing the Directors?

Because:

1. There is no evidence of “breach of duty”.
2. In general under English law, with some exceptions, only the Company, not shareholders, can sue directors.
3. Because such cases are very difficult unless you can show malicious or fraudulent intent which there is no evidence for.
4. In my view the Government is trying to deflect attention onto the former directors, who cannot easily defend themselves, to avoid any focus on their own failings.

Other Issues

- Status on the Government's Valuation Process
- Be clear that shareholders will not get the company returned to them in due course after the “temporary period of public ownership”



The Valuation Issue

Important to emphasise that we are seeking simply a fair and independent valuation of the shares in Northern Rock – not a specific value.

But clearly even in the depressed banking sector, at present, few companies are valued at less than their “book” value.

What You Can Do

- Write to your MP and the Chancellor of the Exchequer
- Write to the media to correct false stories and put your point of view.
- Write to your pension trustees.
- Make a donation to support our campaign.

Questions

