

To Northern Rock Shareholders

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Northern Rock Shareholders Action Group – Update 52

The judicial review decision on Northern Rock went against the claimants in the High Court. It was declared that there was no infringement of your “Human Rights” by the Government ensuring you will get no compensation. Permission to appeal was granted by the Court however, and it is our intention to support such an appeal, as will SRM Global and RAB Capital who were parties to the original action.

We are advised that there are good grounds to appeal. More comments on the current position are given overleaf. But we do need to raise additional funds to progress this matter.

If this judgment is allowed to stand then any company that accepts funding from the Government should bear in mind that the Government can nationalise the company and pay no compensation to shareholders. The implications for banks such as Royal Bank of Scotland, and Lloyds Banking Group are obvious, but the ramifications could be very widespread.

The basic principle that when the state confiscates the property of someone, they should pay fair compensation is being undermined. That compensation should be determined by an independent valuer, using normal terms of reference for commercial valuations, and not the rigged and biased conditions set by the Government in this case.

We do need your further financial support to enable us to continue with this campaign and take the matter to the higher courts.

£100,000 Required

As you can see from the financial report (www.uksa.org.uk/Finance_Report_Feb2009.pdf), we have already raised over £250,000 for this campaign, but we need to raise another £100,000 to cover our prospective costs going forward. Please use the donation page on our web site (www.uksapay.org.uk/donation.cfm) to send us the required funds so that you don't have to accept the pittance that you will otherwise get from the Government's compensation scheme. What you contribute is up to you, but to meet our target we probably need an additional £10 from past contributors as a minimum. If you have not previously donated, then this would of course be an opportune moment to do so.

PLEASE DONATE NOW SO THAT WE CAN CONTINUE THIS CAMPAIGN.

Roger Lawson
Chairman, Northern Rock Shareholders Action Group

OUR COMMENTS ON THE LEGAL ACTION

The comments below are our initial views on the judgment issued by the court and are not intended to represent what we may submit to the Appeal Court after consideration by our legal advisors.

Not Insolvent

Although the facts of the case are generally not in dispute, the judges stated that in August or September 2007, Northern Rock became insolvent in the sense that it could not meet its liabilities as they became due. This is not correct. The company at all times met its debts and never ran out of cash because it had the foresight to borrow money in anticipation of such eventuality. The company never had to call in Administrators, as it would have needed to do if it had run out of cash. This statement by the judges seems to have prejudiced their view of the other aspects of the case.

No Exclusion of Financial Assistance

The judges also suggested that "*What the claimants would like to challenge before a valuer is the requirement that the public financial assistance provided and to be provided to Northern Rock should be excluded from his consideration*".

Certainly this organisation has never argued that the valuer should be expected to ignore the funds obtained from the Bank of England and the other aspects of Government support. We specifically wished all relevant facts to be open to consideration by the valuer, which is the normal principle followed in any commercial valuation. It would clearly be unrealistic not to take into account that funding, or the risk that it might be withdrawn.

No Ability to Challenge the Basis

Our Counsel, Tom de la Mare, raised a key legal issue in respect of the European Convention on Human Rights in that previous precedents have suggested that if there is no ability to challenge the basis of the compensation (for example, the facts upon which it is based) then the process would be incompatible with the Convention. We would argue that here we are unable to challenge the terms of reference for the valuation, which dictate and pre-empt the valuer's determination of the company's value, because these are laid down in the Act of Parliament. There was no adequate response to this point.

Full Report on the Judicial Review

A full report on the Judicial Review proceedings is available on our web site at www.uksa.org.uk/Demonstrations.htm . Note that prior to that we did have a meeting with the Independent Valuer, Andrew Caldwell, but nothing of significance arose from that meeting. We do not see how he can arrive at any value other than zero based on the court decision, and he did not indicate that he is likely to come to any contrary conclusion.

Financial Position & Fund Raising

We promised to report to all of our supporters on the costs and revenue associated with this campaign, and as this seemed a good moment to do so now that the initial legal step is past. A financial report is now present on our web site. Our costs have clearly been substantial to try and communicate with the estimated 200,000 Northern Rock shareholders and for the anticipated legal costs (although in reality the institutional shareholders have spent a lot more than us). In addition it is worth noting that the court did not order the small shareholders to contribute anything towards the Government's costs..

If you have any questions on the contents of this note please telephone. Thanks to all those who have donated previously. We do not individually acknowledge donations to save on costs, but we do record all donations and only those who have contributed will receive newsletters in future.