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## Bondholders Update

In addition to publicising the Bradford and Bingley campaign for fair treatment of both bond and share holders since the Government nationalisation of the bank, your committee and legal representatives have sought a detailed explanation from the Government of their action in nationalising a solvent and profitable bank.

B&B remains profitable in run off although an attempt to conceal this fact has been made by making excessively large provisions against potential future losses arising from mortgage default which have distorted the final figure into a loss for each of the last two years.

As the rate of mortgage default has begun to decline, the Board of B&B have stated that these provisions are greater than will be required but they continue to accrue these provisions in the accounts. The only reason for this action would seem to be an attempt to control public perception of B&B as a failed bank rather than a profitable bank. The Government and the Treasury (who is now the owner of B&B) would appear to be the only beneficiaries of this action as they attempt to justify their action in nationalising B&B.

The Government continues to refuse to answer key questions about the precise reason for the nationalisation of B&B and about the events leading up to the nationalisation put to them by lawyers acting for the B&B campaign group. Government replies have merely stated that "it is not in the public interest for us to provide this information". This is completely unacceptable as the public, and the B&B share and bondholders in particular, have the right to know the precise reasons for their Government deciding to destroy a British bank of 150 years standing while enriching a foreign bank, Santander, by £21 billion of deposits together with 190 branches and 180 agencies.

It should be noted that the Government has been forthcoming with similar information which has been requested regarding the Icelandic banks.  
Why not B&B?

In drawing up the terms of the Compensation Order the Government has provided for the Valuer to calculate compensation due to shareholders and dated bondholders (large institutions) but **has specifically excluded the 1600 PSB (PIBS) holders** (many of whom are pensioners) from consideration for compensation.

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The value of the PSB holders' investments has clearly been damaged as a result of the nationalisation and the Government's actions consequent upon the nationalization. The market value of these bonds is now less than 1/5th of par value (£1) despite there being an excess of shareholders' equity\* of over £1.1 billion. This can only be explained by the uncertainty created by nationalisation in regard to repayment of capital and the cessation of interest payments.

**Therefore, these bonds have been damaged by the act of nationalisation and compensation is due to the PSB bondholders.**

Your committee has produced and sent a submission to the Valuer containing a strong financial and legal case for compensating the shareholders. In order to make a similar submission on behalf of bondholders to the Valuer we must obtain a court judgment directing the Government to amend the compensation order to include the PSB holders so that the Valuer can accept our submission. The current legal action seeks to obtain this amendment.

\* Note Shareholders Equity is the amount of money belonging to shareholders which remains in B&B after all creditors, including bondholders, have been repaid what they are owed in full.