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## **Status Report to Ordinary Shareholders and Bondholders (Update No. 10)**

### **General Comments**

In the weeks after the successful rights issue authorised by the Financial Services Authority (FSA) and prior to the nationalisation of Bradford and Bingley (B&B) in September 2008 both Messrs Kent and Pym, chairman and chief executive respectively of B&B, made public statements that it was a well capitalised bank with a strong balance sheet. Officers of the FSA also stated that B&B were authorised and was therefore solvent only days before the nationalisation.

The background to this debacle has been the total failure of the tripartite regulatory system, namely the Treasury, the Bank of England (BoE) and the FSA, which has nationalised a solvent bank with adequate liquidity and one of the best tier one capital ratios in the UK on the instruction of Gordon Brown. Furthermore there is circumstantial evidence which suggests that Treasury briefings to Robert Peston of the BBC created a false market in B&B shares and bonds prior to the nationalisation and caused a run on its savings book. Since then the previous Government has repeatedly failed to provide full details of the sequence of events both pre and post the nationalisation, the only responses have been a mixture of obfuscation and disingenuous statements which makes a mockery of the Freedom of Information Act (FOI). For example, specific requests for information under the FoI Act were made to the Treasury, the FSA, the BoE and the cabinet office at No10. The Treasury and the BoE said it would be too costly to provide such details, the FSA never replied and the Cabinet Office said they had no files whatsoever. The careful wording of the Cabinet Office's reply may have been technically correct but in implying it had no involvement aroused suspicions of deliberate deception, and so it has proved. In Gordon Brown's book 'Beyond the Crash' he confirms that in a telephone conversation in an anteroom of the Oval Office at the White House, Washington, USA between him and Alistair Darling the decision was made to nationalise B&B.

The nationalisation was two months after a successful rights issue and two weeks before a covert financial support operation of the Royal Bank of Scotland and Halifax, Bank of Scotland totalling sixty one billion pounds. Were both these political decisions made by the clique at the head of the New Labour party protecting their interests in the heartland of their Scottish power base at the expense of the rest of the UK? There is no doubt the nationalisation was a terrible mistake, made in haste for political reasons. We recognise that the Coalition has inherited an appalling economic mess which will take decades to resolve. However it is nearly thirty months since the nationalisation of B&B and the Coalition has been in power for nine months, it is time for it to act as it has responsibility for the mistakes of the previous government. The conclusion to Mr Brown's book is headed 'Markets need Morals'. Indeed they do Mr Brown and so do the Government of the day! The way forward now is an independent inquiry into the sequence of events pre and post the nationalisation of B&B as it is time for the past deceits to be swept away and the truth to be told.

## **Ordinary Shareholders Update**

The Independent Valuer, Peter Clokey, has still not issued his final determination on the value of the ordinary shares. It has been repeatedly delayed and is not now expected until mid-March. We have no great expectations of the outcome though as in our view the valuation is predetermined by the artificial terms of reference set in the Compensation Order. I continue to pursue matters at the political level.

## **Bondholders Update**

The market prices for the Perpetual Subordinate Bonds of B&B, previously known as PIBS, have increased substantially since the tender offer was made, although the market is very thin (i.e. illiquid). The bid prices (i.e. the prices you might get if you sold them) at the time of writing (26/2/2011) are now 58p and 53p respectively for the 13% and 11.625% bonds. This compares with the tender offers of 38p and 36p. Both our group and others suggested the tender offers were not good value, but even now the prices offered are way below the "nominal" value.

## **A New Shareholder Organisation**

You may also be interested to learn about a new organisation to represent the interests of individual shareholders. This is called the UK Individual Shareholders Society, or "ShareSoc" and their web site is [www.sharesoc.org](http://www.sharesoc.org). It is chaired by Roger Lawson and I have also become a director. Membership is free so please take a look at it. Call 020-8467-2686 or send an email to [sharesoc@btconnect.com](mailto:sharesoc@btconnect.com) if you have any questions. Registration can easily be done on the web site so sign up now if you have a general interest in stock market investment.

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