Press release

Chancellor announces sale of Northern Rock plc

The Government is selling Northern Rock plc to Virgin Money.

From: HM Treasury (/government/organisations/hm-treasury) and The Rt Hon George Osborne (/government/people/george-osborne)

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The Government is selling Northern Rock plc to Virgin Money. It represents a significant step in returning public sector stakes in banks to the private sector. The sale is in the best interests of the taxpayer, secures the long-term future of the company and will increase competition in the banking sector. This is part of the Government’s wider strategy for the banking sector with safer ring-fenced banks and more competition for customers.

The combined business of Northern Rock and Virgin Money will establish a new competitor in the UK retail banking sector and, in doing so, will lead to an increase in choice for high-street customers. It will help increase diversity in the retail banking sector as Virgin Money seeks to innovate and expand into new market segments.

The Government will receive £747 million in cash on closing of the sale, with the potential in the future to receive over one billion pounds in total.

The sale values the important local heritage of the company and recognises the importance of Northern Rock to the North East economy. Virgin Money has committed to:

- No further compulsory redundancies, beyond those already announced, for at least three years from completion;
- Retaining and, over time, expanding the total number of branches;
- Extending support for the Northern Rock charitable foundation for a further year; and
• Making Newcastle the operational HQ for Virgin Money.

The decision to proceed with a sale was based on advice from UK Financial Investments (UKFI) and their independent advisers, having considered all bids and other relevant options.

The sale will not affect current customers of Northern Rock, who will carry on their banking as usual. They do not need to take any action and can continue to operate their accounts and contact Northern Rock as they do now. There are no changes to their terms and conditions as a result of this announcement.

The Chancellor of the Exchequer, the Rt Hon George Osborne MP said:

“ The sale of Northern Rock to Virgin Money is an important first step in getting the British taxpayer out of the business of owning banks. It represents value for money; will increase choice on the high street for customers; and safeguards jobs in the North East.”

Notes for editors

1. On 22 February 2008, by an order made under the Banking (Special Provisions) Act 2008, the shares of Northern Rock plc were transferred into temporary public ownership.

2. On 1 January 2010 Northern Rock was split into two separate entities: Northern Rock plc, a new savings and mortgage bank authorised as a mortgage lender by the FSA; and Northern Rock (Asset Management) plc.

3. In his Mansion House speech on 15 June 2011, the Chancellor announced the decision to put Northern Rock plc up for sale (http://www.hm-treasury.gov.uk/press_58_11.htm).

4. In line with EC state aid requirements the sale process was conducted in an open, transparent and non-discriminatory manner.
5. Deutsche Bank was appointed as a joint adviser to both UKFI and Northern Rock for the sale process.

6. The Government is today announcing the sale of Northern Rock plc to Virgin Money. The deal maximises value for the taxpayer, who will receive £747 million in cash on closing, plus an expected circa £50 million of cash within six months of completion. A further £150m will be paid in the form of a capital instrument and an additional cash consideration of £50-80 million will be paid upon a future profitable IPO or sale in the next five years.

7. The sale is expected to be completed on 1 January 2012, pending EU merger clearance and approval by the Financial Services Authority.

8. As part of the sale agreement, Virgin Money have made a number of commitments, including:
   - No further compulsory redundancies other than those already announced by Northern Rock, for at least three years from completion; and to maintaining the number of branches currently operated by Northern Rock.
   - Making Newcastle the operation headquarters for the combined business.
   - Maintaining and extending support for the Northern Rock Foundation for a further year.

9. The Government has no plans to sell Northern Rock Asset Management. In October 2010 Northern Rock (Asset Management) plc and Bradford & Bingley were integrated under a single holding company, UK Asset Resolution (UKAR). UKAR’s has implemented a business plan that aims to wind down the institutions in a way that maximises taxpayer value for money and repays combined debt to the taxpayer of around £50bn.

10. The Government’s investments in financial institutions are managed at arm’s-length by UK Financial Investments Ltd (UKFI). UKFI’s mandate requires it to achieve value for money for the taxpayer and pay due regard to financial stability and competition. The full range of disposal options was evaluated by UKFI including returning Northern Rock to the mutual sector by combining with an existing mutual or through a standalone
remutualisation of the company. Further information can be found here: http://www.ukfi.co.uk/

Non-media enquiries should be addressed to the Treasury Correspondence and Enquiry Unit on 020 7270 4558 or by e-mail to public.enquiries@hm-treasury.gov.uk

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