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## **Taxpayer to receive further £538million**

- **Additional £73 million cash consideration received from sale of Northern Rock plc to Virgin Money**
- **Sale of £465 million of Northern Rock (Asset Management) plc mortgages to Virgin Money**

UKFI today confirms that HM Treasury has received from Virgin Money further cash consideration of £73 million in addition to the £747 million received on completion of the sale of Northern Rock plc to Virgin Money Holdings (UK) Limited ("Virgin Money").

This takes the total cash consideration received on the sale of Northern Rock plc to £820 million, in addition to other consideration<sup>1</sup> comprising:

- Tier 1 Capital Notes of £150 million; and
- Additional cash consideration of £50 million to £80 million receivable upon a future profitable flotation or sale in the next 5 years.

The Government has the potential to receive over £1 billion in total, as confirmed in UKFI's announcement on the sale of Northern Rock plc on 17 November 2011.

The further cash consideration announced today of £73 million relates to the final calculation of the net asset value of Northern Rock plc at completion of the sale on 1 January 2012. The amount is greater than that expected at the time of the November announcement of c. £50 million.

In addition UK Asset Resolution Ltd, ("UKAR") the holding company for Northern Rock (Asset Management) plc, ("NRAM") has agreed to sell £465 million of mortgage assets to Virgin Money at par. These loans will continue to be serviced by NRAM until transfer to Virgin Money, expected to be before the end of the year. The sale will not affect the terms and conditions of the mortgages in this portfolio and all customers who will be impacted by the sale will be contacted directly by NRAM and Virgin Money at a later date.

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<sup>1</sup> Further information on these other items of consideration can be found in UKFI's announcement on 17 November 2011.

Keith Morgan, Head of Wholly Owned Investments at UKFI, said “We are pleased with this outcome which delivers additional proceeds that taxpayers will receive from both the sale of Northern Rock plc and the sale of UKAR mortgage assets to Virgin Money. These transactions are consistent with UKFI’s objective to manage the Government investments commercially and to create and protect value for the taxpayer as shareholder.”

**Ends**

**Notes:**

1. UK Financial Investments (UKFI) was created in November 2008 as part of the UK’s response to the financial crisis. It is responsible for managing the Government’s shareholdings in Lloyds Banking Group plc and The Royal Bank of Scotland Group plc. UKFI is also responsible for managing the Government’s 100 per cent shareholding and loans in UK Asset Resolution Ltd (UKAR).
2. UKAR was formed during 2010 to integrate the activities of Northern Rock (Asset Management) plc and Bradford & Bingley plc.
3. UKFI managed the Government’s 100 per cent shareholding in Northern Rock plc from Northern Rock plc’s formation on 1 January 2010 and up to its sale to Virgin Money on 1 January 2012. In its recent evaluation<sup>2</sup> the National Audit Office reported positivity on the disposal and UKFI’s handling of it.
4. UKFI’s overarching objective is to manage these shareholdings commercially to create and protect value for the taxpayer as shareholder and to devise and execute a strategy for realising value for the Government’s investments in an orderly and active way over time within the context of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and acting in a way that promotes competition.
5. More detail on UKFI’s role, remit and ownership approach is set out in our Framework Document and Investment Mandate with HM Treasury, which can be found on our website [www.ukfi.co.uk](http://www.ukfi.co.uk).

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<sup>2</sup> [http://www.nao.org.uk/publications/1213/northern\\_rock.aspx](http://www.nao.org.uk/publications/1213/northern_rock.aspx).