

## WRITTEN MINISTERIAL STATEMENT

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### NORTHERN ROCK PLC

**The Chancellor of the Exchequer (Alistair Darling):** Earlier this year, the Government announced that Northern Rock would be restructured, subject to state aid approval from the European Commission. That approval was received on 28 October 2009 and the Government welcomes the European Commission's decision as an important step in restoring Northern Rock to viability.

Legislation to give effect to the restructuring - The Northern Rock plc Transfer Order 2009 - will be made and laid before both Houses of Parliament today.

Under the Order the restructuring of the Company will take place on 1 January 2010. Part of Northern Rock's business will be transferred to a new company, also wholly owned by the Treasury:

- The business transferred to the new company will include Northern Rock's retail and wholesale deposit business (other than certain wholesale deposits held on behalf of Northern Rock's Granite securitisation and covered bond programme), a proportion of its unencumbered mortgages and its mortgage origination and servicing platform. The new company will be regulated as a deposit taker by the FSA.
- The legal entity which is Northern Rock plc will retain the remainder of Northern Rock's mortgage book, arrangements relating to the Granite securitisation and the covered bond programme, the Government loan, its other borrowings, derivatives and certain wholesale deposits held on behalf of its Granite securitisation and covered bond programme.

The intention is that the companies will be renamed in conjunction with the transfer, such that the new company will be named "Northern Rock plc" and the old company will be named "Northern Rock (Asset Management) plc".

On restructuring the guarantees covering the liabilities of Northern Rock will be replaced by separate guarantee arrangements for Northern Rock (Asset Management) plc and Northern Rock plc. All retail deposits in Northern Rock plc continue to be guaranteed in full, and guarantees will not be lifted with less than three month's notice. Full details of the guarantee arrangements are available on the Treasury website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

Both entities will continue to be wholly owned by the Government and operate at arms' length from Government on commercial principles. UK Financial Investments (UKFI) will take on management of the Government's shareholdings in these two companies. The restructuring will enable Northern Rock to increase its new lending and support the economic recovery.

Full details of the financial support provided by the Government to support the restructuring will be set out next month.

The Treasury have also made the Northern Rock plc (Tax Consequences) Regulations 2009. These regulations make provision to neutralise unintended tax consequences that could otherwise be triggered by transfers of assets and liabilities between these two companies wholly owned by the Government.

*HM Treasury*  
*8 December 2009*