

EXPLANATORY MEMORANDUM TO
THE NRAM PLC (FORMERLY NORTHERN ROCK PLC) CONSEQUENTIAL AND
SUPPLEMENTARY PROVISIONS ORDER 2016

2016 No. 114

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This Order makes provision in respect of the restructuring and sale of NRAM plc (formerly known as Northern Rock plc and subsequently as Northern Rock (Asset Management) plc), an asset holding and management company created in 2010.
- 2.2 Part of NRAM plc's business, which is not being sold, is to transfer by agreement to a new publicly owned company, incorporated as "NRAM (No. 1) Limited" but referred to in the Order and this memorandum as "StayCo". This Order replicates, in relation to StayCo, certain provisions that originally applied to NRAM plc.

3. Matters of special interest to Parliament

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 The Banking (Special Provisions) Act 2008 ("the 2008 Act") provided, amongst other things, for the securities of authorised UK deposit takers to be transferred to a nominee of the Treasury ("temporary public ownership"), if one of the statutory purposes was satisfied. On 22 February 2008, Northern Rock plc (as it then was) was taken into temporary public ownership by the Northern Rock plc Transfer Order 2008 (S.I 2008/432) ("the 2008 Order").
- 4.2 The Northern Rock plc Transfer Order 2009 (S.I. 2009/3226) ("the 2009 Order") provided for the restructuring of Northern Rock plc – later renamed Northern Rock (Asset Management) plc and then NRAM plc. The 2009 Order transferred part of its business to Gosforth Subsidiary No. 1 plc, which was sold into the private sector.
- 4.3 The 2008 Act provides for consequential or supplementary provisions to be made by order, including to dis-apply or modify the effect of statutory provisions and to exempt directors from liability in connection with certain acts or omissions. It also allows provision to be made in connection with further transfers following a transfer to the public sector, including provision to allow the Treasury to appoint or dismiss directors.

- 4.4 The 2008 and the 2009 Orders made those kind of provisions in relation to NRAM plc and Gosforth Subsidiary No. 1 plc, to apply only during the period of public ownership.

5. Extent and Territorial Application

- 5.1 The instrument extends to all of the United Kingdom.
5.2 The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 Following the financial crisis, the Government took on various financial sector assets including those of the former Northern Rock plc, in order to safeguard financial stability. Now, post crisis, the Government is returning financial sector assets to the private sector whilst securing good value for money for the Exchequer.
- 7.2 To this end, as has been publicly announced, NRAM plc and certain of its assets are being transferred to a private sector buyer over the final months of 2015 and early months of 2016. See: <https://www.gov.uk/government/news/government-agrees-record-breaking-13-billion-sale-of-former-northern-rock-mortgages>
- 7.3 In order to complete the transfer of shares, the assets and liabilities of NRAM plc that do not form part of the sale are being transferred to StayCo. These assets and liabilities will remain in public ownership for the time being, although StayCo will continue with the existing strategy of seeking to accelerate the run-down of the remaining balance sheet.
- 7.4 StayCo will effectively ‘step into the shoes of NRAM plc’ as the subsidiary of UK Asset Resolution Limited (“UKAR”). UKAR is the Treasury owned company that holds former Northern Rock assets (as well as those of Bradford & Bingley) on behalf of the Government and is responsible for winding down the remaining publicly-owned assets of the former Northern Rock. StayCo will also take on NRAM plc’s government loan which will be novated as part of the corporate restructuring.
- 7.5 Certain provisions in the 2008 Order will cease to apply when NRAM plc is sold. This Order provides for some of these now to apply instead in relation to StayCo whilst StayCo remains in public ownership. In particular, it grants the Treasury powers to appoint and remove directors; ensures the validity of meetings; provides for director indemnities; dis-applies certain provisions relating to ‘shadow directors’ and provides that StayCo is not to be treated as a publicly-owned company for the purposes of the Freedom of Information Act 2000, given the commercial nature of its activities.

Consolidation

- 7.6 There are no plans to consolidate these provisions with any other instruments.

8. Consultation outcome

- 8.1 The Treasury consulted with UKAR, NRAM plc, UK Financial Investments Limited (which manages the Treasury’s banking assets) and the Bank of England. It was not

considered appropriate to consult on the Order beyond these institutions, given the market sensitivity of the transaction which the instrument concerns.

9. Guidance

9.1 Guidance is not available in relation to the Order.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 The Order itself does not have any impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 The Order is not subject to the duty to include a review provision as it does not make regulatory provision in relation to qualifying activity by a business. For the purpose of section 28 of the Small Business, Enterprise and Employment Act 2015, StayCo is controlled by a public authority. The provisions in the Order will only apply while StayCo remains (through UKAR) wholly owned by the Treasury.

12.2 The progress of the restructuring and sale will be kept under review by the Treasury.

13. Contact

13.1 David Sandford at the Treasury (telephone: 020 7270 5351 or email: david.sandford@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.