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News release

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17 June 2009

Dunfermline Resolution: Announcement of the Preferred Bidder for the Social Housing Lending Business

The Bank of England has selected Nationwide Building Society as the preferred bidder for the social housing loans and related deposits from housing associations (the 'Business') held by the Bank of England's wholly-owned subsidiary, DBS Bridge Bank Limited. This follows a competitive auction process conducted by the Bank of England, in accordance with the Code of Practice issued by HM Treasury under the Banking Act 2009.

The Business had previously been transferred from Dunfermline Building Society ('Dunfermline') to DBS Bridge Bank Limited while a permanent home for the Business was sought. The transfer of the Business to the bridge bank took place on 30 March 2009 at the same time as the sale of certain core parts of Dunfermline to Nationwide Building Society. Dunfermline was then placed into the Building Society Special Administration Procedure.

It is business as usual for the Business's customers. They can contact the Business in the usual way and should continue to make repayments as normal. Customers of other parts of the former Dunfermline Building Society's businesses now owned by Nationwide, or operated out of the Building Society Special Administration Procedure, are unaffected.

The decision to select Nationwide Building Society as the preferred bidder followed advice from the Bank of England's Financial Stability Committee and consultation with the FSA and HM Treasury in accordance with the Banking Act 2009.

Notes for editors

1. Objectives of the Special Resolution Regime

The Banking Act 2009, which became law in February, creates a Special Resolution Regime (SRR) which gives the Tripartite authorities - the Treasury, Bank of England and Financial Services Authority (FSA) - a permanent framework providing tools for dealing with distressed banks and building societies. When

selecting and exercising these tools, the relevant authority must have regard to the following special resolution objectives set out in the Act:

- to protect and enhance the stability of the financial systems of the United Kingdom
- to protect and enhance public confidence in the stability of the banking systems of the United Kingdom
- to protect depositors
- to protect public funds
- to avoid interfering with property rights in contravention of a Convention right (within the meaning of the Human Rights Act 1998).

These objectives are not ranked in the Banking Act. The relative weighting and balancing of objectives will vary according to the particular circumstances of each case, including both (a) circumstances specific to the distressed institution; and (b) general circumstances relating to the wider financial system.

2. Special Resolution Regime tools

Under the Special Resolution Regime (SRR) the following are the Stabilisation Options:

- Transfer of all or part of the business of a bank or building society to a private sector purchaser;
- Transfer of all or part of the business of a bank or building society to a bridge bank owned by the Bank of England.
- Transfer of the bank or building society into temporary public ownership of the Treasury (TPO).

The transfer tools can only be exercised by the Bank if it considers that their use is necessary in the public interest (as set out in section 8 of the Act, and having regard to the public interest considerations set out therein). TPO is selected and exercised by the Treasury if it considers it necessary to reduce or resolve a serious threat to financial stability; or to protect the public interest where public funds that had been given to the bank or building society for this purpose (as set out in section 9 of the Act). The Tripartite authorities must also have regard to the special resolution objectives (as set out above), and the statutory code of practice (the latter of which establishes certain guidelines for the selection and use of the tools).

3. Further information about the Special Resolution Regime is available on the Bank of England's website at:

http://www.bankofengland.co.uk/financialstability/Pages/role/risk_reduction/srr/default.aspx

4. The announcement of the Dunfermline resolution on 30th March 2009 is available on the Bank of England's website at:

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/news/2009/030.pdf>

5. The transfer to Nationwide Building Society is proposed to take effect through a property transfer instrument to be made by the Bank of England under powers conferred on it by the Banking Act 2009 and is subject to further documentation. The consideration received for the Business will be paid into the Bridge Bank's company account. It is intended that the Bridge Bank will be wound up in due course, and any distribution payable to the Bank of England will be paid into a resolution fund established by HM Treasury in accordance with an order made by the Treasury under section 52(2) of the Banking Act. A draft order has been laid before Parliament by HM Treasury under the Banking Act 2009 and will be subject to debate in both Houses of Parliament in due course (The Dunfermline Building Society Compensation Scheme, Resolution Fund and Third Party Compensation Order 2009) and is available on the OPSI website: **www.opsi.gov.uk**.