

The Rt Hon Vince Cable MP

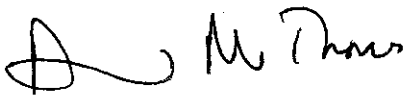
Secretary of State for Business,
Innovation and Skills

Oliver Thomas
Justice for Rover Workers Group

Our ref: AOK/205054

By email to: justiceforroverworkers@gmail.com

4 July 2010



Thank you for your letter of 8 June on behalf of the Justice for Rover Workers Group.

Let me say at the outset that I fully understand the impact that the closure of MG Rover had on its employees and local communities, and I sympathise with all those affected. Your own efforts to bring about some form of settlement is commendable.

In relation to the Employee Trust Fund, my understanding is that little or no payments have been made into the Fund to date and that those ex-employees who suffered hardship have yet to benefit.

You explain your concern is that assets that may be available for possible payments into the fund are being "blocked" by HBOS. This is a consequence, I understand, of a cross guarantee securing the debt owed by the MG Rover Group (MGRG) to HBOS. On the basis of the information available, it appears that HBOS have a legitimate claim to these funds. This is a contractual matter, on which I cannot intervene, though the legitimacy of the claim is borne out by the actions of the liquidator who carefully studied the claim against MGRG from HBOS before accepting it. My officials have consulted with HM Treasury in relation to the Government's shareholding in Lloyds Banking Group (LBG), of which HBOS is a subsidiary. UK Financial Investments Ltd manage HMG shareholding in LBG at arm's length and on a commercial basis. The objective is to protect and create value for the taxpayer as shareholder with due regard to the maintenance of financial stability and to act in a way that promotes competition.

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Whilst I can sympathise with your desire of safeguarding the residual funds in MG Rover Dealer Properties Ltd for the benefit of the Trust Fund, it is not for HM Government to intervene in management decisions of LBG or HBOS. I am sure that you recognise the reasons, though I appreciate this information may come as a disappointment.


You also refer to recent press reports which suggest that the Pensions Regulator is trying to claim money set aside for ex-workers. The Regulator was set up under the 2004 Pensions Act as an arm's length body that is independent from Ministers. This Act gave the Regulator statutory objectives with powers to achieve those objectives, and it has operational independence to make decisions. The Regulator's objectives include protecting scheme members' benefits and reducing the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF).

The Regulator has powers to address the risk of "moral hazard" or avoidance activity. Avoidance is the deliberate manipulation of the affairs of an employer responsible for sponsoring a defined benefit pension scheme in an attempt to walk away from their pension obligations or off-load them onto the PPF. This activity would have serious cost consequences for other employers responsible for paying the Pension Protection Levy. The Regulator's powers operate within a legal framework and there are certain tests that the Regulator must satisfy in order to justify their use. Decisions to use these powers must be made by the Regulator's Determinations Panel; this body is independent from the Regulator officials responsible for evidence-gathering, and its determinations are subject to a statutory appeal process.

The precise details of its investigations are, of course, a matter for the Regulator, and, as you will appreciate, it would not be appropriate for me to comment on individual cases. You may wish to contact the Regulator directly to discuss these matters, at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

I trust that this information will be helpful to you and your supporters.



VINCE CABLE