



**APPG on Fair Business Banking  
Letter to Andrew Bailey, Governor of the Bank of England 23/11/20**

Dear Andrew,

I have deep concerns about the rumoured bid for The Cooperative Bank by the US hedge fund, Cerberus. I understand that such an approach has not been confirmed by the bank, but nonetheless, the very fact that this can even be a possibility is extremely alarming. As you are aware, in my capacity as co-chair of the APPG on Fair Business Banking and as vice-chair of the APPG on Mortgage Prisoners, I have extensive experience of the devastating impact vulture funds, and Cerberus in particular, have on their customers.

The Cerberus £13.3bn acquisition of the former Northern Rock mortgage book in 2015 left 270,000 mortgage customers with lower levels of regulatory protection. As the NAO report of 2016 concluded *“Customers who have loans and mortgages which were sold in the transaction have been well protected in the short run including restrictions to changes in the interest rate of their mortgages for 12 months. In the longer term, UKAR relies on Financial Conduct Authority (FCA) regulation to protect customers”*. However, as you acknowledged in our meeting at your offices on 13<sup>th</sup> February of this year in your then role as Chief Executive of the FCA, the regulator does not have the same level of regulatory oversight of offshore inactive lenders as it does over UK based lenders. Correspondence with the Financial Ombudsman Service in October of this year also confirmed to the APPG that for unregulated entities *“our rules and guidance on lender conduct, including treatment of vulnerable customers do not apply”*. The lower burden of regulatory burden is one of the reasons that offshore unregulated vulture funds are willing to pay more for loan portfolios than UK regulated entities.

As a result, hundreds of thousands of mortgage holders and businesses have been subjected to years of substandard treatment as a direct result of Cerberus’ exploitative and aggressive behaviour. There should be no place in our society for a parasitic fund that has happily fed on the misery of our citizens and then funnel the spoils through offshore tax havens. Given that customers are often attracted by its reputation of ethical and sustainable practices, the sale of a significant stake in The Cooperative Bank to a vulture fund would be of particular concern.

We urge you to take action to prevent any future sales of significant stakes in regulated lenders or mortgage books to unregulated entities and to work with HM Treasury and the Government to introduce legislation to do so. The Financial Services Bill that is currently in committee stage in the House of Commons appears to be a timely and suitable opportunity.

Kind regards,

Kevin Hollinrake MP  
Member of Parliament, Thirsk & Malton Constituency  
Co-Chair, APPG on Fair Business Banking