

# News story: UK Asset Resolution sale of an £860 million mortgage portfolio

The sale of an £860 million equity release mortgage portfolio, owned by Bradford & Bingley (B&B) and NRAM Limited (formerly part of Northern Rock), has been authorised by the Chancellor.

These mortgages were acquired by the taxpayer during the financial crisis and their sale simplifies the books of both B&B and NRAM, bringing the government closer to the final wind-down of these companies. It also marks a milestone in the plan to recover taxpayers' money – ten years on.

Following a highly competitive auction, these mortgages will be sold to Rothesay Life, a Financial Conduct Authority and Prudential Regulation Authority regulated firm.

There will be no changes to the terms and conditions of the mortgages sold. Borrowers do not need to take any action.

UK Asset Resolution (UKAR), the holding company for B&B and NRAM, will also at the same time terminate interest rate swaps, which hedge the risk of changes in interest rates, held against these mortgages. These swaps were taken out by B&B and Northern Rock more than 10 years ago when the loans were issued, in line with good risk management practice. Due to the fall in long term interest rates, there is a substantial cost for terminating the swaps which is expected to exceed the profit on the sale of the loans, resulting in a net overall accounting loss on the two transactions.

The assets will be sold for a price above their book value. Proceeds from this sale will be used to pay down the national debt. However, given the unwinding of the swaps, national debt will be reduced by an amount which is less than the sale proceeds. These figures are subject to an adjustment mechanism and will be known when the transaction completes in the next few weeks, and subsequently disclosed to Parliament.

The Chancellor of the Exchequer, Philip Hammond said:

We're continuing to recover the money the taxpayer committed during the financial crash, and the sale of these loans moves us one step closer. The proceeds of this sale will go towards reducing our national debt.

B&B's and NRAM Limited's closed loan books are managed by UKAR on behalf of the taxpayer. Following this transaction, UKAR now owns c.£13 billion worth of assets, down from £21 billion in September 2017 and from £116 billion in 2010.

As a result of this transaction UKAR expects to repay approximately £1

billion of the government loan which is made up of a number of components in addition to the actual sales proceeds. Following repayment, UKAR will have repaid 94% of its loans from the government.