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## Rush on Northern Rock continues

**The rush of customers taking money out of Northern Rock continued for a second day on Saturday, amid concerns over its emergency Bank of England loan.**



Customers have been withdrawing money despite appeals for calm

Banking sources suggest that on Friday alone clients pulled out £1bn - or 4-5% of retail deposits.

Northern Rock has struggled since money markets seized up over the summer.

Chancellor Alistair Darling and City watchdog the Financial Services Authority moved to reassure customers that the bank was still functioning.

### See what went wrong at Northern Rock

The bank is not short of assets, but they are tied up in loans to home owners. Because of the global credit crunch Northern Rock has found it difficult to borrow the cash to run its day-to-day operations.

Northern Rock has not confirmed how much money has been withdrawn from branch savings accounts.

**“ If a mortgage lender goes bust, no-one will come round trying to repossess borrowers' homes to get the money back ”**

### What if a bank goes bust?

But a number of officials and experts have tried to reassure the bank's 1.5 million savers that their money is safe.

Northern Rock's business and capital base themselves have been judged to be sound by the Financial Services Authority, which reiterated on Saturday that deposits and withdrawals could still be made.

It described the long queues at branches and difficulties with the bank's website as "entirely logistical and are in no way related to the bank's solvency or its underlying ability to deliver funds to savers who wish to withdraw".

"To be absolutely clear, if we believed that Northern Rock was not solvent, we would not have allowed it to remain open for business," FSA chairman Callum McCarthy said.

The chancellor also sought to reassure the public, telling the BBC he authorised the Bank of England loan "because I believe it's important that people should have confidence in the stability of the banking system".

### Emergency loan untouched

On Saturday, queues outside branches in Sheffield and Golders Green in north London grew so large that police officers were deployed for crowd control.

**VIDEO AND AUDIO NEWS**  
**Long queues outside Northern Rock branches**

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### MARKET DATA - 11:36 UK

FTSE 100	5429.64	23.70 0.44%
Dax	5733.05	19.54 0.34%
Cac 40	3784.02	14.48 0.38%
Dow Jones	10403.79	78.53 0.76%
Nasdaq	2273.57	35.31 1.58%
S&P 500	1115.71	11.22 1.02%
BBC Global 30	5707.15	20.65 0.36%

Data delayed by at least 15 minutes

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In Kingston, Surrey, some 250 people waited to take out money.

The scenes came a day after customers visited Northern Rock bank branches across the country to withdraw savings, fearful the business could collapse.

The bank has also yet to learn about the scale of withdrawals from the £9.9bn held in postal accounts.

Meanwhile, numerous internet customers have contacted the BBC News website complaining they have been unable to access their online accounts since Thursday evening, when news of the bank's problems first emerged.

Northern Rock spokesman Brian Giles said branches had stayed open late on Friday to deal with customers - some until 2230 BST.

He said the website was running slowly owing to a high number of customers, and insisted: "There is no gate blocking anyone from accessing their account."

Northern Rock chief executive Adam Applegarth earlier highlighted that it had yet to draw on the Bank of England's emergency loan, which he called "a backstop in case we need to use it".

Mr Applegarth was the architect of the bank's rapid expansion over the past few years, and earned £1.35m in salary and bonuses last year.

**Endorsements**

It is unclear how much money the Bank of England has offered to lend to Northern Rock.

Any loan has to be backed by the bank's assets, and according to calculations by BBC business editor Robert Peston, Northern Rock can probably draw on about £30bn - which should just about cover all the savings that customers have deposited with the bank - in the "very unlikely case that every single one of its depositors wanted its money back".

The chairman of the Treasury Select Committee, John McFall, said Northern Rock's customers should not panic.

"The banking system in the United Kingdom is strong," he said.

"We've had 60 quarters of continued growth, the world economy has grown for the past five years. So it's against a strong background.

"Don't let's predicate everything of doom and gloom on one small bank at that particular time. And I think it would serve us all well to stand back a little bit on this issue and give it time."

He said: "People can use their accounts in the usual way,



**“ Northern Rock is a sound and safe bank and there is absolutely no reason for either mortgage customers or savers to worry ”**

British Bankers' Association

**Robert Peston's blog  
Treasury statement in full  
Reaction to the news  
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**NORTHERN ROCK FACTS**

Founded in 1965 after merger of Northern Counties Permanent Building Society and Rock Building Society  
Headquarters in Newcastle  
Became a public company in 1997  
Has 6,400 staff  
Has 18.9% share of new UK lending  
Loans and assets of £113bn  
Deposits from customers of £24bn

**Northern Rock's share price  
Q&A: Northern Rock crisis**

**HAVE YOUR SAY**

they can carry on making their mortgage payments in the usual way. Northern Rock will be able to carry on its business."

“ This is a temporary liquidity problem, nothing else ”  
Geoffrey Pearce, London, United Kingdom

Send us your reaction:

The British Bankers'

Association said: "Northern Rock is a sound and safe bank and there is absolutely no reason for either mortgage customers or savers to worry."

Michael Fallon, a Conservative member of the Treasury Select Committee, said questions needed to be asked about the deal.

He said: "We're going to be asking the governor of the Bank of England when he appears before the Treasury Select Committee next week, exactly why taxpayers' funds should be used to bail out a building society that appears to have been borrowing rather differently to lots of other building societies and banks."

### Slow-down predicted

Shares in Northern Rock fell by 32% on Friday after it emerged it had approached the Bank of England for help.

The bank warned it could have £150m shaved off its profits due to the money market turmoil.

Unlike most banks, which get their money from customers making deposits into savings accounts, Northern Rock is built around its mortgage business.

It raises most of the money which it provides for mortgages by borrowing from banks and other financial institutions.

Its costs have soared as banks have stopped lending to each other because of fears over potential losses on high-risk US mortgages, creating a credit crunch as liquidity dries up.

Experts predicted a slow-down in the UK housing market as result of the financial troubles.

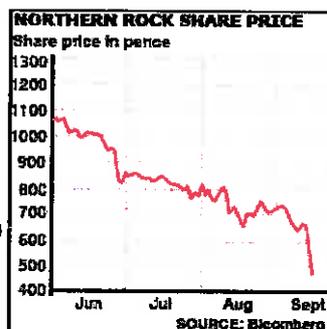
The former head of the Financial Services Authority, Sir Howard Davies, said that mortgages were likely to become more difficult to obtain and costlier.

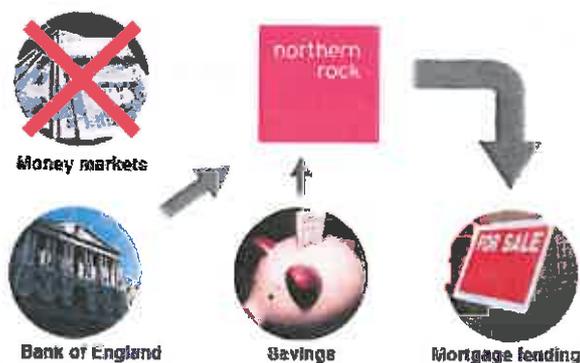
"I would expect the net of all this to be a depressing effect on the housing market and for house prices at least to stabilise and probably to fall somewhat," he said.

Oxford University's Professor John Muellbauer predicted falls in house prices in London and the South East.

"There is going to be a fallout in the City. The UK is very dependent on the City of London - bonuses and jobs will be cut in the coming year and that's bound to affect prices in London, that tends to spill over into the South East."

WHAT'S HAPPENING AT NORTHERN ROCK?





**Mortgage lending** Northern Rock lends a large amount for mortgages, and finances this with money from banks and savers  
**Savings** Northern Rock receives a relatively small amount of money from savers  
**Money markets** Have stopped lending money to Northern Rock due to the crisis in the US sub-prime mortgage market  
**Bank of England** Steps into the breach to give Northern Rock an emergency loan

Images: PA, Getty

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