

Britain buys control of Royal Bank of Scotland

[CBC News](#) Posted: Nov 28, 2008 11:56 AM ET Last Updated: Nov 28, 2008 11:52 AM ET

The British government bought control of the country's second-largest bank Friday after current stockholders refused to take up billions of shares offered by the Royal Bank of Scotland Group PLC.

The government will own 57.9 per cent of the bank's stock after a recapitalization deal closed Friday, the bank said. The bank had offered 22.9 billion shares at about \$1.25 (65.5 pence) each to its current owners, but they bought only a tiny fraction of the issue because the price was higher than the market price, about \$1 (53 pence) on Friday.

The government had backstopped the offering as part of a plan to strengthen three British banks. It spent about \$28.5 billion for the common stock. It also bought about \$9.5 billion in preferred stock in a side deal.

British media said the bank's new CEO, Stephen Hester, regretted that existing shareholders did not buy in, but quoted him saying he understood "that market sentiment toward the banking sector made this uneconomic in the short term."

Hester was appointed in October to clean up the bank, which had been hobbled by sub-prime loans and its role in a consortium which spent more than \$100 billion last year to buy the Netherlands-based bank ABN Amro.

The government's purchase was part of a plan announced Oct. 13 by Prime Minister Gordon Brown to inject capital into the Royal Bank of Scotland, Lloyds/TSB and the Halifax Bank of Scotland.

"The action we are taking today is unprecedented but essential to all of us," Brown told reporters at the time. "We must, in an uncertain and unstable world, be the rock of stability upon which people can depend."

Royal Bank stock traded for as much as \$8.65 in the past year, but crashed in the credit crisis.

Explore CBC

CBC Home	Music	Comedy	CBC Connects
TV	Arts	Books	Digital Archives
Radio	Kids	Parents	Games
News	Local	Aboriginal	Contests
Sports	Documentaries	Weather	Site Map

Stay Connected

Mobile	RSS	Podcasts	Newsletters & Alerts
------------------------	---------------------	--------------------------	--

Services and Information

Corporate Info	Reuse & Permission	CBC Shop	Jobs
Public Appearances	Terms of Use	Help	Doing Business with Us
Commercial Services	Privacy Policy	Contact Us	Renting Facilities