

Bank braced for more withdrawals

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News Story

Bank Northern Rock bank has opened early as anxious customers again look to withdraw money from their accounts.

Bank boss Adam Applegarth said people could withdraw money and that it was "business as usual", while Chancellor Alistair Darling urged for calm.

About £2bn has been withdrawn since Thursday, when the bank applied to the Bank of England for emergency funds.

In Monday morning trading, shares in Northern Rock were down by 29%. Shares in fellow mortgage banks also suffered.

In early trade in London Northern Rock's shares, which had lost 32% on Friday, fell from 438 pence to 311.5 pence. At one stage during the morning they had been down 31% before a slight recovery.

Shares in mortgage lenders Alliance & Leicester and Bradford & Bingley were also down, by 7% and 8%.

'Bank of England backing'

Mr Darling had told the BBC's Radio 4 Today programme that the money of Northern Rock depositors was safe. "If people want to get their money out of Northern Rock bank, they can do it. The money is there and it is backed by the Bank of England so they can get it," he said.

Northern Rock branches had opened at 0800 BST on Monday - an hour earlier than usual.

Mr Applegarth apologised to customers who had to wait in queues to be dealt with by staff, but said that bank branches had been "extremely busy".

Lindsay Topping, 59, from Cliftonwood in Bristol, who has tens of thousands of pounds in her Northern Rock account, said: "I've got quite a lot of money in there. I'm not sure what I'm going to do with it. I'll wait and see what I'm told. It's impossible not to feel a bit panicked after the coverage we've seen over the last few days."

It is understood Northern Rock was almost sold to rival bank Lloyds TSB. However, the deal fell through because of the difficulty of borrowing money in the current financial climate. The lower the Northern Rock share falls the easier it would be for a rival to take it over.

Experts at Lehman Brothers said in a statement: "The company appears to face a choice between running down its business, or a sale. Any interested buyer appears to be in a strong position over price."

Mr Applegarth told the BBC he could not discuss possible takeovers, nor would he confirm the exact amount of cash withdrawn from bank branches since Friday.

"Customers are entitled to get their money - it is a logistics exercise for us, making sure we can look after our customers," he said.

'Hard slog'

On Friday, Northern Rock shares fell 32% and will be closely watched this week.

As well as extending its opening hours, Northern Rock has also increased bandwidth on its online banking, which has struggled under the volume of people trying to access the website.

The BBC's business editor Robert Peston said the £2bn withdrawn - which represents about 8% of the £24bn deposits it held on Thursday - was actually less than the mortgage lender and officials at the Bank of England and Financial Services Authority had feared.