

14 November 2008

## Classification of Bradford & Bingley plc

The Office for National Statistics has determined that Bradford & Bingley plc will be classified in the public sector as a public financial corporation from 26 September 2008, when the tripartite authorities (HM Treasury, Bank of England and Financial Services Authority (FSA)) began action to maintain financial stability and protect depositors. ONS judges that on this date the public sector had the power to control Bradford & Bingley's general corporate policy. Prior to this Bradford & Bingley is classified as a private financial corporation.

The structures and the arrangements around Bradford & Bingley's wholesale borrowing programme were also examined, in particular the entities involved with issuing mortgage backed securities. As a result, it was decided that the UK-resident Aire Valley securitisation entities will also be classified as public financial corporations from 26 September 2008. Bradford & Bingley's Covered Bond partnerships were judged not to have the characteristics of separate institutional units and will be consolidated within the parent company in the public sector.

Immediately following the nationalisation of Bradford & Bingley, ownership of Bradford & Bingley's branch network and associated assets and liabilities were transferred to Abbey National plc. For National Accounts purposes the relevant assets and liabilities are deemed to transfer from the public sector to the private sector on 29 September 2008.

Alongside the classification decisions in relation to Bradford & Bingley, ONS has re-examined the classification of the Financial Services Compensation Scheme (FSCS) and concluded that, while the FSCS remains part of the public sector, it should be provisionally reclassified to the central government sub-sector from the public financial auxiliary sub-sector. This follows from the judgement that, on balance, the FSCS acts collectively on behalf of households rather than corporations.

These decisions are consistent with international statistical guidelines on national accounts, in particular the 1995 European System of Accounts.

The decisions have been authorised by the National Statistician.

**Issued by**

Office for National Statistics  
Government Buildings  
Cardiff Road  
Newport  
NP10 8XG

**Contact**

Media Office 0845 604 1858  
Media office on-call 07867 906553  
Public enquiries 0845 601 3034

[www.statistics.gov.uk](http://www.statistics.gov.uk)

ONS will publish an article providing further details on the classification of these entities and related transactions in due course.

## BACKGROUND NOTES

1. ONS produces the United Kingdom's National Accounts. The National Accounts are an internationally comparable accounting framework that describes the activities in a national economy, including the transactions that take place between sectors of that economy. The relevant international manuals are the System of National Accounts 1993 (SNA93) and the European System of Accounts 1995 (ESA95) in particular.
2. ONS has a well-established process for handling the classification of institutions and transactions in the UK's National Accounts and Public Sector Finances. This process is set out in Annex A of the National Statistics Protocol on Statistical Integration and Classification available at:  
<http://www.ons.gov.uk/about-statistics/ns-standard/cop/protocols/index.html>
3. The ONS role is of particular importance when defining the institutions that belong to general government or the public sector. This is because both the United Kingdom Government and the European Union base their fiscal policy frameworks on the National Accounts.
4. The Protocol provides for consultation with Eurostat, the Statistical Office of the European Union, to ensure consistency of interpretation of the international guidance. This applies in particular where a number of countries are taking similar measures and the arrangements being considered have features not covered satisfactorily by the existing guidance, as with some of the measures to support the banking industry. ONS, Eurostat and statistical offices in other member states are currently involved in discussions about the general statistical principles relating to government support and rescue operations.
5. ONS published a special background note explaining the ONS approach to the classification of the issues relating to the financial support for the banking industry on 16 October. The note is available here:  
<http://www.statistics.gov.uk/pdfdir/fbc1008.pdf>

## Release of information

6. Under the National Statistics Code of Practice, all important methodological decisions, and the reasons for them, are to be made publicly available in advance of the release of statistics based upon them. ONS places all sector classification committee decisions on the National Statistics website as soon as possible after the clearance of any confidentiality implications. The Sector Classification Guide, also published on the website, lists classification of entities for National Accounts purposes and is updated at the end of each month.

7. The sector classification of Bradford & Bingley plc is relatively straightforward and is being announced today so that the main transactions between the public and private sectors are recorded properly in the public sector finances. It also means that work can begin on assembling other data for them, including their impact on public sector net debt. An article providing full details on the classification of these entities, the FSCS and related transactions will follow in due course. However, it should be noted that some of the transactions, and the classification of deposit protection schemes like the FSCS, may be the subject of the international discussions mentioned in note 4 above. This, in turn, may delay the announcement and implementation of definitive classification decisions.
8. The consequences of classification decisions will be carried through to monthly Public Sector Finances and Quarterly National Accounts estimates as soon as the relevant data can be collected and checks undertaken that publication will not reveal confidential data on individual transactions and institutions.

#### **National Statistics**

9. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown copyright