

Guernsey Financial Services Commission issues Landsbanki statement

Wednesday 08 December 2010

The Royal Court has granted the application for the compulsory winding up of the company and has agreed to the appointment of the former Joint Administrators (“JAs”) as Joint Liquidators (JLs). Messrs Richard Garrard and Lee Manning have been duly sworn in as JLs.

The GFSC had no objection to the JAs applying to the Royal Court to put LGL into liquidation and said so in Court. This is a natural progression since the administration process had substantially run its course and the JAs were in the last phase of the recovery of LGL’s assets, principally the remaining property development loans. We note that in the course of making their application the JAs said they were proposing to make a payment to depositors in the New Year, as an interim dividend under the liquidation framework, projected, subject to the usual uncertainties, at up to 7.5p in the pound. In the event of LGL proceeding to liquidation it was proposed that there would be no further payment after the interim dividend until the final dividend but that would be subject to consultation with depositors. Such a sequence of dividend payments would serve to contain costs and conserve funds available for repayment.

The Statement of Affairs presented to the Court indicates that LGL has negative net assets. This means the JAs had determined that LGL is insolvent as to net assets. Since LGL cannot therefore meet the minimum requirements for capital of £1mn the GFSC is of the view that it is no longer appropriate for LGL to be licensed as a bank. The GFSC will accordingly require the surrender of its licence.