ShareSoc
UK Individual Shareholders Society

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Press Release

VSA Capital Group delisting – some most peculiar events

On the 28th March, VSA Capital Group announced a proposed delisting from AIM, with a vote to be taken on the 17th April (yesterday). That was of course immediately before the Easter bank holiday, making it somewhat difficult for shareholders, particularly those in nominee accounts, to get their votes in on time. And so it turned out to be.

A number of shareholders opposed the delisting, led by Nick Brown who set up a web site to co-ordinate support. Whether the board had a justifiable case for delisting is not something we propose to cover here. You can read the information issued by the company and by the opposition and decide for yourselves. But the subsequent events give ShareSoc grave concerns.

Only a few people turned up at the General Meeting (some having to attend because otherwise their proxy votes would not apparently have been received in time). Major shareholder John McCartney asked if the board had consulted any of their major shareholders before putting the delisting proposal forward. They said they had but he had not apparently been consulted although he claimed to be the third largest shareholder. The final outcome of the vote was a narrow majority in favour of delisting – 77.6% FOR, and 22.4% AGAINST when 75% was required. But David Stredder (D.S.), a ShareSoc director, who attended the meeting as a shareholder with a "letter of representation" from Pershing (used by his broker Dowgate as the custodian, i.e. nominee operator) was told by the Registrars (Capita) that some of his claimed shares could not be voted. How can that be? Either Pershing have allocated shares to D.S. which they do not have title to (i.e. that exceed those held on the register of the company), or they have lent the stock out without his knowledge. Or is there some other explanation?

In fact there were other shareholders who also held their shares via Pershing and so there is an even bigger shortfall than may have been immediately obvious (because D.S. could have otherwise voted those as being in the pool held by Pershing assuming these are pooled nominee accounts operated by Pershing as they usually are). In addition the Registrar said that some of the proxy forms in respect of the other holdings were not received in time from Pershing so could not be counted. About 4% of votes received by Capita were apparently disallowed.

This demonstrates exactly the evils of the nominee system. It's simply a mess at present. It is incomprehensible as to what should happen and there is no audit trail of votes cast. Nobody can be certain their votes are going to be recorded, and have been cast, if they hold them via a nominee account. The delisting of VSA might well have been defeated if shareholders in nominee accounts had a reliable voting system.

Shareholders are reminded not to hold their shares in nominee accounts unless they absolutely have to do so, and in that case they need to be very careful about who they use if they wish to ensure their votes are cast.

We suggest shareholders should challenge this vote using all legal processes available. But the key problem is the iniquitous nominee system which corrupts shareholder voting and destroys shareholder democracy.

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Notes: Any members of the press who wish to receive a complimentary copy of our informative monthly newsletter should send a request to info@sharesoc.org . Our newsletters cover not just the affairs of our organisation but contain general financial news and commentary. An example of our past newsletters is available on our web site. You can also follow ShareSoc on Twitter from @ShareSocUK.

About the UK Individual Shareholders Society (ShareSoc)

ShareSoc represents and supports individual investors who invest in the UK stock market (and who own as much as 30% of the shares in UK public companies in aggregate). We are a mutual association controlled by our members with "not-for-profit" articles and incorporated as a company limited by guarantee. The organisation is financed by member subscriptions, donations from supporters and by the services it provides to members. More information on ShareSoc can be obtained from our web site at www.sharesoc.org .