City veteran Stuart Wheeler on being expelled from the Tories
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Business

FTSE 100	Dow Jones Av CLOSE	Nikkei 225 CLOSE	£1 buys $1.5976	€1 buys 87.35p	€1 buys $1.3964
up 17.37 at 4429.09	up 196.17 at 8473.49	up 127.96 at 9438.77	up 0.36 cent	down 0.35p	down 0.26 cent

City Editor
Chris Blackhurst
standard.co.uk/business

NEWS IN BRIEF

Topps' dividend cut on dire results

TOPPS Tiles, the flooring and tiles retailer, today scrapped its interim dividend as sales continued to slide. Like-for-like sales fell 18.5% in the six months to March 28, pushing pre-tax profits down to just £0.6 million from £15.8 million for the same period the previous year. Topps is suffering from consumer restraint and the pound's weakness. In the first seven weeks of the second half, comparable sales dropped 11.9%.

Old Mutual pays to ditch China deal

OLD MUTUAL, the London-based insurer, is paying a €45 million (£39 million) break fee to walk away from a €165 million deal to buy a stake in Chinese fund manager ABN Amro Teda Fund Management, agreed last August. Old Mutual today said it had agreed with Fortis Bank, the ultimate owner of ABN Amro's Asian asset management arm, not to take up the 49% stake in the Chinese offshoot. It did not give an immediate reason for dropping the deal.

Service sector sees signs of recovery

THE worst of the recession-battered UK service sector's pain may be coming to an end as a survey today said it had found "tentative grounds for cautious optimism". While the CBI saw further sharp falls in business activity in the past three months, declines had started to moderate in some areas. Sentiment picked up, with a balance of 15% of consumer firms saying they were more optimistic than three months ago.

QUOTE OF THE DAY

'Convincing the markets we are serious about balancing our accounts has to start now and not be kicked into the long grass until after the general election'

Labour MP Frank Field calls for the rapid establishment of a House of Commons committee devoted to getting the public accounts back in order

Nationwide in a safety plea for savers as it dives by 69%

Nick Goodway

NATIONWIDE chief executive Graham Beale today called for an immediate hike in the protection offered to all savers after he revealed that the country's biggest building society saw hundreds of millions of pounds of savings withdrawn in the months following the collapse of Lehman Brothers.

His call came as Nationwide revealed a 69% drop in pre-tax profits to £212 million, which came after it was forced to pay £241 million to the Financial Services Compensation Scheme following the failures of Bradford & Bingley and the Icelandic savings banks.

Beale said that NS&I and Northern Rock took in seven out of every 10 pounds saved between October last year and March this year.

He said: "Their success has not been driven by particularly attractive savings rates but by the guarantees which state-owned institutions can offer.

"I don't know how I can respond. I can only offer £50,000 of guarantees. I want to see that raised to £100,000 for everyone.

"The compensation scheme is under review but we are not getting any indication of anything happening soon. We need to watch these market distortions from the nationalised and part-nationalised institutions."

The scale of the shift in savings immediately after Lehman's collapse last September was dramatic.

In its first half Nationwide took in a net £2.6 billion of savers' money, which was a 34% market share. In the second half it had a net outflow of £900 million which meant for the full year its market share had plummeted to 10% and was actually negative in the last six months.

Beale pointed out that while UK consumers saved £48 billion in the tax year 2007-8, that plunged 77% to just £11 billion in 2008-9. He said: "At the same time with wholesale money markets virtually closed there were more players among the banks and building societies chasing a smaller pot of savings."

During the year Nationwide took over the Cheshire, Derbyshire and parts of the Dunfermline building societies. Beale would not rule out other societies needing to be rescued in the coming months.

But he said the events of the past year proved the strength of building societies' mutual status as against banks and their shareholders.

"We can take the medium-term view and even tolerate lower profit levels for a considerable period of time. The majority of the 53 building societies out there are still very stable," he said.

Cash flow: Graham Beale said investors flocked to state-owned institutions for their better guarantees

INVESTORS TAKE NO CHANCES

A BRIEF look at the best buy tables for savings rates highlights just how the public's appetite for risk has evaporated in the banking crisis.

State-owned National Savings & Investments and Northern Rock may be seen as being the safest options, but their interest rates are down towards the bottom of what savers could be getting. NS&I's Easy Access Savings Account offers interest of only 0.7%. Northern Rock's e-Saver pays out only 2%.

Customers using regular savings accounts, who deposit a certain capped amount every month, can receive annual interest of 7% in Alliance & Leicester's Premier Regular Saver or 6% with Abbey's Super Fixed Rate Monthly Saver. And those are both owned by Spain's Santander, which has been relatively unscathed by the crisis.

But in the minds of a justifiably jittery public, trust and confidence is worth far more than a few extra percentage points on an interest rate.

Mickey Clark
READ HIS ESSENTIAL STOCK MARKET REPORT
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Shell braced for massive job cuts in Berlin summit

SENIOR managers at Shell today started a two-day conference where they will be told of large potential staff cuts.

The summit in Berlin comes a day after the oil giant's head of gas, Linda Cook, left Shell after being passed over for the chief executive's role.

That job is being taken up by Peter Voser, the company's finance director, on 1 July. Shell insiders' website Royaldutchshellplc.com reported that Voser will tell his top 100 managers that Cook's old division will be merged with exploration and production in a move aimed at dramatic staff cuts. It is believed this was Voser's platform on which he made his pitch to the board for the chief executive's job.

Although oil prices have increased hugely in the past few months, at $61.59 a barrel today, it is still way down on the $147 at which it peaked last year, meaning Shell has to cut costs in order to retain its profitability.

Meanwhile, staff flocked to Royaldutchshell.com to attack the group's management.

One entry read: "Amongst those to be culled are (I suspect) many who are not only competent but who also realised that Shell historically was a bit different from the rest of the American oil major groups. No more. Sadly Shell is now the worst of the oil majors by far in almost every respect. And for those of us who in our small ways helped build a company that we were proud of its not just regrettable but a scandal."

Great Portland stumping up £18m to escape costly hedge

Hugo Duncan

LONDON landlord Great Portland Estates today became the first major property company to pay its way out of an expensive bet on interest rates.

The firm, which owns shops and offices in the West End, City and Southwark, paid a hefty £18.2 million break fee to end an interest rate hedge on £190 million of debt.

The deal, engineered by finance director Timon Drakesmith, will save Great Portland £8.5 million a year in interest payments and is expected to be followed by a flood of similar deals from other indebted property companies.

Self-storage group Big Yellow recently paid £15.2 million to end one of its costly hedges.

It follows the dramatic fall in the cost of borrowing – the Bank of England has cut interest rates from 5% in October to 0.5% today – which has left firms tied in to expensive deals.

Great Portland was paying an average of 5.2% on its total debt burden of £371 million, or £19.3 million a year.

After today's deal on its £190 million hedge, it will now pay 2.9%, or £10.8 million, saving it £8.5 million.

It is rare for banks to lend over £10 million without requiring some sort of hedge which locks part of the loan in to a fixed interest rate.