

£2.9m takeover of Virgin Money moves closer as shareholders are sent offer details

A £2.9bn takeover of challenger bank Virgin Money has moved a step closer after details on the offer were issued to shareholders.

Nationwide Building Society's proposed the acquisition of the Newcastle business last month, with the boards of both companies saying they had agreed on a cash acquisition, which would deliver shareholders 220p per share. The deal for Virgin Money – formed in 2020 when Clydesdale and Yorkshire Bank owner CYBG snapped up the company that had taken over the former Northern Rock bank – would create the second largest provider of mortgages and savings in the UK.

Now shareholders at the business, which has its main bases in Newcastle, Glasgow and Leeds, have been sent documents outlining the terms of the deal. The deal would create a combined group with total assets of around £366.3bn and total lending and advances of around £283.5bn.

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Following the announcement of the deal Virgin Money staff were told that Nationwide, based in Swindon, “values Virgin Money’s ongoing presence in Glasgow and Newcastle” and that it was committed to the bank’s 7,300 current staff, saying it was not looking at any job cuts in the short term. Nationwide said it will remain a mutual building society if the deal goes ahead.

Virgin Money has also updated shareholders on current trading, highlighting how it has continued to perform broadly as anticipated in the remainder of the second quarter of the 2024 financial year. Over the first half of the year, the firm said: "Virgin Money delivered continued growth in relationship deposits and target lending segments, whilst maintaining a broadly stable margin, with ongoing cost efficiencies mitigating inflation."

It said its net interest margin continued to be resilient, despite competition and the interest rate backdrop, supported by its interest rate outperformance in its credit cards portfolio.

Looking ahead it said: "For the remainder of FY 2024, lower interest rates and competitive market dynamics are expected to be a headwind to net interest margin, offset by reinvestment of the structural hedge, growth in target segments and ongoing credit cards effective interest rate outperformance. The impact of persistent inflation and ongoing investment are expected to be headwinds to cost performance, partially mitigated by Virgin Money's existing cost saving programme."

Shareholders will vote on the Nationwide proposal on May 22.