

DAME SHIRLEY PORTER

Westminster City Council and the Audit Commission are pleased to announce that they have reached a settlement with Dame Shirley Porter in the long-running designated sales case.

Following negotiations and a mediation process, Dame Shirley and her family have agreed a settlement to the value of approximately £12.3 million. Of this amount £12m will be paid in cash and the rest in costs to third parties. The settlement is subject to approval in the British Virgin Island courts.

Dame Shirley originally faced a judgment debt of some £27 million plus interest and costs following a prolonged legal battle.

In recent months Westminster had been successful in finding and freezing certain overseas trust assets connected to Dame Shirley and her family, and the prospective legal action in claiming those assets prompted the move to mediation.

Kit Malthouse, Deputy Leader of the Council said:

“While we would have preferred that the debt be paid in full, we have had to be pragmatic and weigh in the balance the costs and risks of litigation overseas. Once this is taken into account, I believe this is a good settlement for the Council.

Over the last 15 years or so, many millions of pounds has been expended by the Council on this issue. It has blighted lives on both sides and this settlement gives all parties the chance to move on and look ahead.”

Steve Bundred, Audit Commission Chief Exec said:

“Because of its interest in recovering the costs of the original auditor’s proceedings, the Audit Commission has been consulted by Westminster at every stage of this process and was represented at the mediation. We have been impressed by the Council’s persistence and determination throughout.”

John Fordham from Stephenson Harwood, solicitors acting for Westminster said:

“This has been a long and difficult case, involving complex forensic investigation and litigation across a number of jurisdictions. Given these complexities, and despite the strength of our case, I had no hesitation in recommending this settlement to my clients. In my judgement it is an excellent result”

ENDS

24/04/2004

Q: How much money did the Council freeze?

A: About £34.4m of assets, all in trusts, of which only about £9.3m was in trusts derived from Dame Shirley's (DSP's) money originally (the rest appears to have been in trusts derived from money belonging to other members of the family). A proportion of these assets was in trusts created from monies first put into trust long before the provisional auditor's report in 1994 (ie in 1986).

Q: How much was DSP worth?

A: We have no reason to suppose that the £300k estimate of DSP's personally held assets is inaccurate. On the basis of information from analysis of computer records obtained as a result of disclosure orders, the Council believes that the total value of assets held in trusts originally derived from DSP's money was about £20m. Of these assets, some £8m was in trusts derived from settlements originally made in 1986, long before the provisional auditor's report into this matter in 1994.

Q: Why £12m?

A: It is a commercial settlement, subject to BVI Court approval, but this figure:

- 1) represents substantially more than the value of the frozen assets which were the subject of the Council's sham trust proceedings (£9.3m);
- 2) obviously considerably exceeds DSP's personally held assets of £300k but, more to the point, represents all of the estimated value of the assets she had put into trusts (other than the £8m originally settled prior to 1994); and
- 3) more than covers the Council's costs of litigation plus a contribution of £10m towards the surcharge and Auditor's costs.

Q: Why are the Council not pressing on with the litigation to recover the full £27m plus interest?

A: We could never recover more than DSP is worth. The Council has no direct claim against other members of the family. The Council has recovered substantially more than the value of the trust assets against which the best case could be made, plus a contribution from other family trust funds. Given the risks and cost of litigation this is a good settlement for the Council.

Q: Does this mean that the trusts were shams?

A: Part of the Council's case was that some £9.3m of the frozen assets was in sham trusts but this was contested by DSP and the Trustees of the family's settlements.

Q: Was there an offer of £10m some time ago as reported in the press.

A: No. This was pure fiction.

Q: Was it a difficult negotiation?

A: Yes. Both sides have had to work very hard to reach a settlement acceptable to all parties including the relevant trustees.

Q: Will the Audit Commission or Auditor be taking any further action?

A: The settlement will be subject to audit in the usual way. The Audit Commission, having monitored closely the actions taken by Westminster and participated in the mediation, is satisfied that the settlement is a good outcome. A substantial sum has been recovered for the Westminster residents and towards the costs of litigation. The Commission does not intend to take any further action.

Q: Is this the end of the matter so far as Dame Shirley is concerned?

A: Yes, subject to the approval of the BVI court, there will be no further litigation or expenditure on this case. This is a full and final settlement and draws a line under the matter.