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UK legal costs hit \$700m for Nortel

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The battle for the remaining assets of Nortel Networks has been going on in Canada since 2009 (Source: Getty)

The ongoing row over bankrupt Canadian tech giant Nortel Networks has racked up legal costs in the UK of over \$700m (£482m), sources close

to the proceedings tell City A.M.

Three groups of creditors, including 33,000 UK pensioners, Canadian pensioners and US bondholders, have been unable to agree who gets what from the \$7.3bn to be distributed since the company's collapse seven years ago.

Globally, fees are now close to crossing the \$2bn mark, almost 30 per cent of the total assets that were left to pay creditors.

This week will mark the seven year anniversary of the company declaring bankruptcy.

If the three groups cannot come to some settlement through mediation the case will go to appeal in the US courts on 5 April, expected to further add to legal costs.

Mediation has been going on since a pair of Canadian judges ruled in May 2015 that \$500m more should go to UK creditors than the \$1.3bn requested, leaving more money for pensioners and less for bondholders.

The UK unit has been criticised, however, for refusing to compromise over the funds and sources warn the dispute could go on for years if the case is now forced through the court appeals.

Nortel was brought down by an upheaval in market conditions,

an accounting scandal that severely reduced its stock price and the wider financial crisis.

The company sold off various aspects of its business since its collapse, including patents and wireless technology, forming much of the now disputed cash pile.

The UK Nortel pension scheme is still being assessed to determine whether it should become the responsibility of the Pension Protection Fund (PPF).

During this assessment phase, pensioners will continue to be paid their benefits from the trust's assets, although these benefits are capped at the level of compensation that a pensioner would receive if the scheme became the responsibility of the PPF.