



Energy

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21st May, 1980

J.W. Stevens, Esq.,
Private Secretary to the
Chancellor of the Duchy of Lancaster

MBM

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Mr John,

BURMAH SHAREHOLDERS ACTION GROUP/BP SHARE CLAIM

.....
Following exchanges between the Chancellor of the Duchy and Mr. Dennis Skinner on 15th May your office have asked for briefing on the Government's attitude to Burmah's claim against the Bank of England. This has again come into prominence recently following a circular to Burmah shareholders by the Burmah Shareholders Action Group. I attach briefing as requested.

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Mr. Skinner also obliquely raised the Prime Minister's position, in view of Mr. Thatcher's connections with the company. While I should not suggest that the Chancellor of the Duchy volunteer any amplification, the question could well be raised again in a more measured way; in which case it might seem desirable that the Prime Minister's position be made clear to the House, as it has been to the Action Group (see Tim Lankester's letter of 14th May, attached). We have accordingly provided a response on this point in the attached brief.

This is however principally a question for No.10, and I should be grateful if you could check the line with Nick Sanders, to whom I am copying this letter.

TJM
yos
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Yours ever,

M.A. HALL



10 DOWNING STREET

From: the Private Secretary

14 May 1980

Dear Mr Stone,

The Prime Minister has asked me to thank you for your letter of 9 May with which you enclosed a letter to all Burmah Shareholders from the Burmah Shareholders Action Group.

The Prime Minister hopes you will understand that, since Mr Thatcher was once an employee of Burmah and is still on the Board of one of its subsidiaries, she does not feel able to comment on the Action Group's letter. She has noted that copies of the letter have gone to Sir Geoffrey Howe as well as to other members of the Government, and she has asked Sir Geoffrey to write to you in reply.

Yours faithfully,

Tim Lasham

J M L Stone, Esq

BURMAH SHAREHOLDERS ACTION GROUP/BP SHARES CLAIM

BACKGROUND

Mr Dennis Skinner raised during Business on 15 May Burmah's claim against the Bank of England, about which the Burmah Shareholders Action Group (BSAG) recently circulated all Burmah shareholders.

A key element of Burmah's rescue in 1975 was the sale to the Bank for £179 million of Burmah's shareholding in BP, at what later turned out to be a trough in the market (the shares are now worth over £1 billion). In 1976 Burmah instituted a legal action against the Bank for the return of the BP stockholding on the grounds (among others) that the Bank had acted unconscionably, irregularly and unreasonably, and in breach of a suggested "duty of fair dealing". The Bank are resisting the claim.

The BSAG circular reports certain statements apparently favourable to Burmah's claim alleged to have been made by certain present Ministers (not including Treasury Ministers) while in Opposition; it concludes that these Ministers have responded in a negative fashion and that BSAG's only course of action is to bring the matter into the public eye.

The Government is not a party to the legal action, and believes the legal processes should be allowed to run their course. This is reflected in the Chancellor's reply of 16 May to a PQ from Mr Joel Barnett. The BSAG circular also mentions the role of the Attorney General; this is a side issue, concerned with the protection of public interest documents.

Lastly, Mr Skinner also raised the position of the Prime Minister. Since Mr Thatcher was once an employee of Burmah and is still on the Board of one of its subsidiaries the Prime Minister has concluded that these questions must be left entirely to the Chancellor, and has told the Action Group that she will not comment on their circular.

BURMAH SHAREHOLDERS ACTION GROUP/BP SHARES CLAIM

LINE TO TAKE

Will the Government intervene?

The Burmah Oil Company has instituted legal proceedings against the Bank of England for relief in respect of this sale. The Government would not consider it proper to intervene between the parties to these proceedings, which should be allowed to run their course in the normal way.

└─ Text of Chancellor of the Exchequer's
answer to PQ from Mr Joel Barnett,
16 May. ─┘

Why then is the Attorney General intervening?

You refer to the role of the Attorney General in Burmah's claim for the production of certain documents. While this claim arises from the main action it is a quite separate and distinct matter. I am advised that the Attorney General intervened as part of his normal public duties in order to protect on recognised legal grounds documents of certain classes, the production of which would as a general principle be contrary to the public interest. But the Crown is not and never has been in any capacity a party to the main action.

What is the Prime Minister's position?

In view of Mr Thatcher's connections with the company the Prime Minister has left these questions entirely to my Rt. Hon. Friend the Chancellor of the Exchequer.



21 MAY 1980