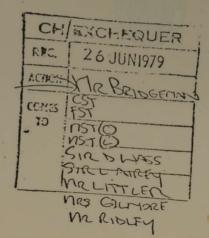


CONFIDENTIAL



2 MARSHAM STREET LONDON SWIP 3EB

My ref:
Your ref:
26 June 1979

Dow Tim

My Secretary of State has seen a copy of your letter of 25 June to Tony Battishill about mortgage rates. He has asked me to say that the Prime Minister can be assured that on her return from Tokyo she will be presented with options necessary to provide a subsidy to the building societies designed to persuade them not to increase their interest rates.

My Secretary of State hopes that the Prime Minister will, however, arrange an early meeting of Ministers to discuss this, as there are important considerations in connection with overall policy, and especially public expenditure, which he believes need to be taken into account before such a decision is taken.

I am sending a copy of this to Tony Battishill, Treasury and to Martin Vile, Cabinet Office.

D A EDMONDS

Private Secretary

Tim Lankester Esq 10 Downing Street

547/6