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## 10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

LORD KAGAN

I have received the following report of Lord Kagan's past activities and I pass it on to you for what it is worth.

Mr. John Watson, the Member for Skipton, is continuing the enquiries into Lord Kagan's conduct which he began at the time of Lord Kagan's trial. Mr. Watson's main - possibly only - source of intelligence is the Yorkshire Post. He says that Mr. Eric Varley frequently used a house owned by Lord Kagan in the Lake District. He claims that the firm Kagan Textiles paid large sums of money to Mr. Stanley Clinton Davis' law firm and he also alleges that Mr. Gerald Kaufman received payments from the same source.

But Mr. Watson's main claim is that Kagan Textiles paid sums of money into a Belgian bank account which were subsequently transferred to a Swiss bank account. From there it is said the money was used to finance property development in the Caribbean. A total figure of £1.9 million for the money transferred in this way has been mentioned.

Mr. Watson says that there are published reports that Sir Harold Wilson has a Swiss bank account. I do not know whether it is the case that this allegation has been made publicly.

He says that the Yorkshire Post journalist who is running the investigation into Lord Kagan's affairs has seen copies of a bank statement from the Belgian bank showing the transfer payments to the Swiss bank.

It is apparently Mr. Watson's intention to let the Prime Minister have in due course a memorandum reporting the findings of the investigation and suggesting that the matter should be referred to the Security Commission.

I doubt whether there is anything to be done about all this at present other than seeing that the appropriate official quarters are aware, if they are not already, of what Mr. Watson and the Yorkshire Post are claiming.

C. A. WHITMORE

KRS

26 January 1981