



MR MONCK

CC Principal Private Secretary
 PS/Chief Secretary
 PS/Minister of State (C)
 PS/Minister of State (L)
 Sir D Wass
 Mr Ryrie
 Mr Middleton
 Mr Unwin
 Mr Pirie
 Mrs Lomax
 Mr Turnbull
 Mr C Ward
 Mr Standen
 Mr Pickford

Mr Gilbert - DNS (Personal)

NATIONAL SAVINGS AND THE BUDGET

The Financial Secretary has seen your submission of 13 February.

He has approved the two proposals in your paragraph 20 - namely that the eligible age for indexed certificates be reduced in one step from 60 to 50, and that a minimum terminal bonus of 4% be introduced for holders of this issue. He has however only agreed to the latter with some reluctance. He would in addition favour a reduction in the INVAC interest rate of a full 1%, to be announced simultaneously with the changes to index-linked certificates.

On the BNOB bond, he would prefer to reserve his position until he knows the outcome of the inter-departmental meeting scheduled for Friday 17 February. He is however quite clear about the desirability of including an announcement about the BNOB bond in the Budget statement. His preliminary view on the method of determining the income from these Bonds (your paragraph 21) is that there must be a link with BNOB, rather than the North Sea in general. He has added that he is not sure why, in the circumstances, an 8% coupon is recommended.

SAL

S A J LOCKE
 16 February 1981