



10 DOWNING STREET

THE PRIME MINISTER

11 February 1983

Dear Mr. Bevan.

Thank you for your letter of 3 February about interest rates and banks' costs.

We all, clearly, agree that a fall in interest rates would be desirable. Let us hope that it will come about.

I was interested to hear your views about banks' costs at lunch last Wednesday. I recognise that the figures produced by the British Bankers' Association need to be handled with care. But I remain of the view that the banks' labour costs in particular have risen far too rapidly in recent years. This - apart from the wider considerations - underlines the importance of a pay settlement for the banks this year well below the current rate of inflation.

Every good wish.

Yours sincerely

Raymond Barber

Timothy Bevan, Esq.