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

Rt Hon Leon Brittan QC
Secretary of State
Department of Trade and Industry
1-19 Victoria Street
London SW1H OET

4 October 1985

Dear Secretary of State,

TAKE-OVER PANEL

Thank you for your letter of 1 October. I am sure you are right that there is a real risk of the Take-Over Panel's traditional authority coming under increasing strain. I agree that we need to prepare adequately for that outcome without, by our preparations, precipitating it.

Naturally, like you, I attach a good deal of weight to the Governor's and the Panel's views. But to say the problem is best faced when it arises is to run some risk of a rather difficult period between an occasion on which the Panel is conspicuously and unacceptably flouted and the Government being able to bring forward legislation.

So I would suggest that as a minimum we should do some contingency planning, and give thought now to the kind of powers we should have ready to introduce if needed. Indeed I am not yet convinced that it would necessarily be wrong to include such powers in the Financial Services Bill, on a reserve power basis. It would be easier to judge whether such a power would undermine or enhance the Panel's standing if we had a draft clause to look at.

I would of course be quite happy for you now to indicate your present thinking to the Panel. But I hope that in doing so you could avoid ruling out the possibility of reserve powers in some form - making clear that we would only include them after further consultation on a draft clause and if convinced it would buttress the Panel's work.

If you agree with this approach we could then consider the issue further, with the Governor, on the basis of a draft clause, and after discussion by our officials.

I am copying this to the Prime Minister and Sir Robert Armstrong.

Yours sincerely
Rachel Lomax

NIGEL LAWSON
(approved by the Chancellor and signed in his absence)

ECON POL: Gower Report: Nov 1983