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10 DOWNING STREET

From the Private Secretary

16 March, 1984

NATIONAL SAVINGS RATES

The Prime Minister has seen your letter to me of 15 March reporting that the Chancellor intended to announce on 19 March the withdrawal of the 26th issue National Savings Certificates and their replacement by a new 27th issue; and the announcement of new rates on other National Savings instruments. She is content with these proposals.

(A. Turnbull)

J.O. Kerr, Esq.,
H.M. Treasury

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Prime Minister ⁽¹⁾
Agree X?



AT 15/3

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

15 March 1984

Yes mb

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

Dear Andrew,

The building societies meet tomorrow morning and, as you know, are expected to announce a reduction in both their mortgage and deposit rates. We shall then need to announce lower rates for National Savings. The building societies would complain if the National Savings rates did not move down quickly: more important, we could find ourselves taking funds at excessive cost (and perhaps at an excessive rate in relation to the £3 billion National Savings target.)

X | The Chancellor intends to announce on 19 March the withdrawal of the 26th issue National Savings Certificates, and their replacement by a new 27th issue. The announcement would also cover new rates on the Investment Account, the Income Bond and the Deposit Bond.

Details of all the new rates cannot be settled until we know the building societies' decisions, not only on their ordinary share rates but also on the premium rates, which have been responsible for much of their heavy inflow in recent months. But the Chancellor's general aim will be to reduce the rates on all four instruments so as to maintain their relative competitiveness with the building societies, and possibly to go slightly further on the Investment Account rate. This should be consistent with a future inflow matching the £3 billion target.

The Prime Minister has on previous occasions asked to be consulted about such changes, and the Chancellor would be grateful if you could confirm that she would be content with this general approach.

Yours ever,
J O Kerr

J O KERR
Principal Private Secretary