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Dennis Skinner

The Prime Minister has asked me to reply on her behalf to your letter of 11 October about Johnson Matthey Bankers (JMB).

The Bank of England took the decision to rescue JMB and arranged a financial package with a number of other banks and JMB's parent company, Johnson Matthey plc. The Bank acquired JMB for £1; to date this represents the total expenditure of the Bank's resources. The Bank is arranging an indemnity against the possibility that, on further investigation of JMB's commercial loans, JMB's capital and reserves (including an additional £50m injected by Johnson Matthey plc) do not prove sufficient to cover the losses on those loans. The Bank is making a small contribution to the indemnity; it is not providing a £100m as a safety net as you suggest.

The Bank did not seek nor did it require the Government's authority for carrying out this operation.

You suggest that certain shareholders ought to have been present at discussions at the Bank of England on this matter. It was neither necessary nor practical to invite all shareholders in Johnson Matthey plc. In any event, any proposals affecting the share capital of the parent company will require the approval of shareholders at an Extraordinary General Meeting.

As the Bank of England has made clear, JMB's problems arose entirely from its commercial lending activities, and were on a sufficient scale to bring down the whole business, including the bullion business which constitutes much the largest part of JMB's activities. The Bank of England took the view that the failure of JMB would have caused severe problems for other members of the London Gold Market, and would have jeopardised London's hard-won position as a major bullion trading centre. At the same time, the Bank believed that JMB's bullion business was viable and would remain so. It was on this basis that the Bank mounted the rescue operation.



I do not agree that the rescue is inconsistent with the Government's economic philosophy and policies towards other sectors. Most of the support for JMB is coming from the private sector and no taxpayers' money has been involved. The shareholders of Johnson Matthey plc have lost their entire investment in JMB and more.

The Government have no plans for a Parliamentary debate in Government time on this matter.

*Yours
Nigel*

NIGEL LAWSON