

The Governor

Bank of England
London EC2R 8AH

21 December 1984

The Rt Hon Dr David Owen MP
House of Commons
London
SW1A 0AA

Dear Dr. Owen,

The Chancellor of the Exchequer has sent me a copy of your letter of 18 December on Johnson Matthey Bankers (JMB).

You have been informed on several occasions both by myself and the Deputy Governor that on the basis of the facts as known to the Bank and to JMB the problems which gave rise to the rescue operation for JMB arose in the commercial loan book and do not arise in relation to its bullion and other dealing operations which have been and remain profitable. The advice which you have received is ill-informed and the conclusions you draw ill-founded.

Your assertions, and attempts to demonstrate that the bullion operations of JMB are basically unsound, would, I believe, diminish the confidence of its customers and counterparties and their willingness to do business with it, making it more difficult for JMB to trade profitably in the future. I feel sure you must see that such a reaction could only have the effect of diminishing the value of JMB when, as we intend, it is sold back to the private sector and can only increase the risk of loss from the rescue operation, the prevention of which, as I understand it, is your principal concern. In so far as your assertions relate to the unprofitability of bullion operations generally, other bullion dealers could of course also be affected.

As you have released your letter to the Chancellor to the Press, I am also releasing my reply.

Yours sincerely,
R. Leitch-Kent