



Rle

ea

10 DOWNING STREET

*From the Private Secretary*

25 January 1985

National Savings

The Prime Minister has seen your letter to me of 23 January and agrees with the proposals for increased rates on National Savings instruments.

(Andrew Turnbull)

Adrian Ellis Esq  
HM Treasury

CONFIDENTIAL

ea



Prime Minister ①  
Agree?

AT  
23/1

Treasury Chambers, Parliament Street, SW1P 3AG

A Turnbull Esq  
10 Downing Street  
LONDON SW1

23 January 1985

Dear Andrew

AT told E.S.'s  
office.

#### NATIONAL SAVINGS

As you know, the Council of the BSA has responded to the recent increases in bank base rates by recommending, inter alia, a  $\frac{3}{4}$  per cent increase in building society deposit rates. The Nationwide, Woolwich, Halifax and Leeds Societies have announced their intention to implement this recommendation and it seems likely that the rest will follow suit.

We have concluded that National Savings rates should also be increased broadly in line with building society rates. The current and proposed new rates are:

	<u>Current</u>	<u>Proposed</u>
Income Bond	12.0%	12.75% —
Deposit Bond	12.0%	12.75% —
Invac	11.25%	12.25% —
Certificate	8.0%	8.85% —

The income and deposit bond rates, which are gross of tax, will be increased by slightly less than the increase in building society rates; a comparable increase to 13.0 per cent would take these rates to a record level and would look particularly aggressive in the run-up to the introduction of composite rate on banks. But to compensate, the rate on the Certificate (which is paid net of tax) will be increased by slightly more than the  $\frac{3}{4}$  per cent building society rate increase. In addition, the rate on the Yearly Plan will be increased from 9.06 to 9 $\frac{1}{4}$  per cent.

In the nine months April to December, National Savings net inflows amounted to £2.4 billion. Our assessment is that the above increases are the minimum necessary if we are to come close to achieving the £3 billion target for the full financial year. The package is most unlikely to lead to higher building society rates.

We should be grateful for the Prime Minister's agreement to the proposed rates, if possible by tomorrow so that an announcement can be made then.

Yours ever,  
A M Ellis

A M ELLIS  
Private Secretary

23 JAN 1980

