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PRIME MINISTER

JOHNSON MATTHEY

The Chancellor's statement went off rather quietly, helped by the absence of Dr. Owen and Dennis Skinner who was at Brecon and Radnor. The Chancellor managed the difficult balancing act between accepting that the Bank had been at fault in its supervision and in the extent to which it had kept Government informed, without undermining too much the credibility of the Bank or the Governor.

A number of issues were raised:

- (i) Why was JMB rescued rather than, say, Corton Wood or Stone Platt? The answer was that the proprietors of JMB were not rescued but lost £170 million and special factors relating to the banking system and the bullion market dictated that no depositors should lose.
- (ii) Why had the Chancellor not corrected his statement of 17 December which made no mention of the fact that the Bank had made a £100 million deposit with JMB? The answer was that the Leader of the House had acknowledged two days later that a deposit had been made without the Chancellor's knowledge.
- (iii) Why was the Price Waterhouse report not published? The answer was that this was commissioned by the Bank to help it in its investigation; it contained commercially confidential information and publication would have weakened the Bank's position in the forthcoming legal action.
- (iv) Would public money be lost?
The Chancellor gave an assurance that no public money would be lost. To deliver this the Bank will
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CONFIDENTIAL

- 2 -

need to sell JMB for at least £168 million in order to recover the £100 million of capital and the £68 million provided under the indemnity agreement.

It is unlikely that this will be the end of this issue - the Opposition have demanded a Debate - but unless they can rake up some new angle it seems likely to remain an issue for specialists rather than becoming one of main-stream politics.

Andrew Turnbull

AT. ANDREW TURNBULL

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