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10 DOWNING STREET

From the Private Secretary

14 October 1985

JMB

The Prime Minister was grateful for your Secretary of State's minute of 7 October, reporting that he has decided against launching a Section 432 inquiry into JMB at the present time. She has noted the line he would intend to take in public if he is asked about this.

I am copying this letter to Rachel Lomax (HM Treasury) and Henry Steel (Attorney General's office).

(DAVID NORGROVE)

John Mogg, Esq.,
Department of Trade and Industry.

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PRIME MINISTER

Pamie Ninter 2
 To write the proposed
 public line to take, over. 28

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JMB

At our meeting on 24 September, you invited me to consider further whether or not to institute an inquiry into JMB's collapse under Section 432 of the Companies Act 1985. After reflecting on this further, I have decided against launching such an enquiry at the present time.

In reaching this decision, I have taken account of all the various points made during our discussion. It is clear that the affairs of JMB have already been investigated in great depth. Remedial action has been taken by those responsible at each of several levels: management changes at JMB itself; strengthening banking supervision arrangements at the Bank of England; and a review recommending more fundamental changes in the supervisory system. The adequacy of all these measures is, of course, the responsibility of others but I have no reason to question it. I also recognise the force of the Governor's view that a Section 432 inquiry would risk disturbing the progress being made in restoring JMB to health and might thereby damage the interests of the bank and its customers. So far as the suspicions of fraud are concerned, Police enquiries are in train. I shall of course be ready to help the Police at any stage through the use of my Section 447 powers if this would be useful.



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If I am asked publicly to use my powers or to explain my decision not to appoint inspectors under Section 432, I would say that I believe a Section 432 inquiry could add very little to the extensive inquiries that have already taken place and the Police enquiries now in train. I would explain that the most appropriate way in which my powers could be used would be in assisting the Police if they believe it would help. I should also say that if fresh evidence came to light suggesting that a Section 432 would be appropriate, I would be ready to reconsider the position.

I do not doubt that certain Opposition Members will continue to try to oblige the Government to mount some kind of public inquiry into the affair because they scent political advantage in accusing the Government of a "cover-up". No doubt these calls will be renewed if it is eventually decided that there is insufficient evidence to bring prosecutions. Faced with these demands, we agreed that there might be some advantage in publishing an edited version of the Price Waterhouse Report. I hope that the Governor will proceed quickly with the preparation of a suitable version, so that we can consider whether or not its publication would be in the public interest.

I am copying this letter to the Chancellor of the Exchequer and the Attorney-General. I shall also be informing the Governor of the Bank of England of my decision as soon as possible.

L.B.

L B

7 October 1985

Department of Trade and Industry

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It is stated explicitly in the report that the Government is not to support any measures which would lead to a balance of payments surplus. It is stated that the Government will not support any measures which would lead to a balance of payments surplus. It is stated that the Government will not support any measures which would lead to a balance of payments surplus.

I do not know what certain officials of the Government will do to bring about a balance of payments surplus. It is stated that the Government will not support any measures which would lead to a balance of payments surplus. It is stated that the Government will not support any measures which would lead to a balance of payments surplus.

The text of the report is registered as a document of the Government. It is stated that the Government will not support any measures which would lead to a balance of payments surplus.

Department of Finance