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Ref. A085/2726

MR NORGROVE

Building Societies Commission

The Chancellor of the Exchequer proposes in his minute of 25 October a reorganisation of the Registry of Friendly Societies.

2. The reorganisation would not produce a particularly tidy result, with the new Commission and the rump of the Registry between them forming a single non-Ministerial Department and some shared staff under a single head who would be both First Commissioner and Registrar. I have no reason, however, to dispute the Chancellor's judgment that the widening of the powers of supervision of building societies points to the vesting of those powers in a collectivity with relevant experience and expertise rather than in one individual. And no obvious alternative has been identified that would achieve the desired result more neatly.

3. For such an arrangement to work, it will be important that the respective roles and responsibilities of the Commission and the First Commissioner/Registrar, especially as regards accountability to Ministers, are properly thought through and understood by all concerned from the outset. I know that Treasury officials and the current Registrar have already addressed this issue, but it would bear underlining.

4. The Chancellor's minute acknowledges that the proposed Commissioner is likely to be replaced in due course by a single authority to supervise both banks and building societies. The Prime Minister is due to discuss arrangements for banking supervision with the Chancellor on Monday. In that context the current proposals for building societies can be seen as a step



towards a single supervisory authority, but they are not dependent on and do not prejudge the arrangements for banking supervision.

5. The Chancellor would like the establishment of the Commission to be announced on 1 November with other decisions on building societies legislation. I attach a draft minute which the Prime Minister might send approving the proposal.

RA

ROBERT ARMSTRONG

28 October 1985

DRAFT

CONFIDENTIAL

Draft minute from the Prime Minister to the Chancellor of the Exchequer

BUILDING SOCIETIES COMMISSION

Your minute of 25 October set out proposals for a reorganisation of the Registry of Friendly Societies.

I understand why you propose the establishment of a Commission to take on the wider supervisory powers that the Building Societies Bill will introduce. But the split of responsibilities between the Registry and the Commission and between the First Commissioner and the Commission as a collectivity will not be easy to manage in practice. It is therefore vital that all concerned understand at the outset their respective roles and responsibilities and that the arrangements for accountability are spelt out clearly. I understand that your officials with the Registrar have already drawn up an outline for such arrangements. These should be developed into a formal statement of responsibilities which Treasury Ministers can approve.

Subject to that I am content for the proposal to be announced on 1 November as you suggest.

I am copying this to Sir Robert Armstrong.