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*Pamie Parker* <sup>2</sup>

*DLS*  
*2/4*

*7* April 1986

*Dear Michael*

**UK PROVIDENT INSTITUTION**

The Financial Secretary has seen your letter of 4 April. The Treasury's responsibility - working closely with the Bank of England - is the prudential supervision of the TSBs.

As your officials are aware, the TSBs made an informal approach to the Treasury and Bank of England on Friday. However the TSBs have yet to reach a considered view themselves on the desirability of involvement with UKPI and so there is no definite proposal from the TSBs on the table at the moment, nor has our approval been invited. We understand the TSBs are unlikely to take an authoritative decision before the end of this week.

As the Bank of England made clear to the TSBs, any proposal of the kind they are contemplating (apparently involving the investment of up to some £250m) would raise several very important supervisory issues which would require serious and detailed consideration. Of course if the TSBs put forward a proposal it would be considered between the Treasury and the Bank of England as quickly as possible, consulting your officials as necessary. But the TSBs have been warned that the importance of the issues raised mean that consideration could well take a number of days, with no assurance of a favourable outcome.

I am copying this letter to David Norgrove (No 10).

*Yours ever*  
*Vivien*

VIVIEN LIFE

