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Secretary of State for Trade and Industry

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8 April 1986

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

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8/4.

Dear David,

UK PROVIDENT INSTITUTION

My letter of 4 April ^{in box} warned of the problems of this company and mentioned the two potential merger partners.

UKPI and Friends Provident announced today that they will be entering into an operational merger. UKPI has now ceased writing new with-profits business and, subject to necessary approvals, its assets and liabilities will be transferred to Friends Provident. FP envisages that over the next 2 years a cut of only 10 per cent will be made in rates of additional bonus on policies becoming claims. For other policies, no additional reversionary bonuses will be declared for two years: bonuses would then be declared in respect of the past years at rates reflecting the valuation of the funds's assets and liabilities at that time. UKPI has ceased to enter into new contracts. Some of its staff will be made redundant and others will be taken on by FP.

Although the TSB, the other merger partner mentioned in my last letter, may have been prepared to offer better terms, there was a considerable doubt as to whether that merger could be brought to fruition - not least the important banking supervisory issues mentioned in Vivien Life's letter of 7 April. In the end, there was just not enough time to UKPI and TSB to complete their discussions.

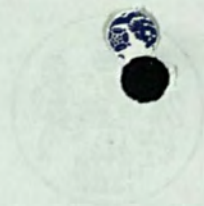
I am copying this letter to Philip Wynn Owen and Vivien Life (Treasury).

Yours ever,
Michael

MICHAEL GILBERTSON
Private Secretary

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