

CCB/1



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 April 1986

David Norgrove Esq
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LONDON SW1

Dear David,

JOHNSON MATTHEY BANKERS

The Prime Minister should be aware that Customs and Excise have now completed their enquiries into JMB's possible involvement in gold fraud and have concluded that they have insufficient evidence to justify proceedings against either JMB itself or any of its employees.

In brief, they are unable to prove either that the senior management of JMB were personally aware of the transactions until early December 1985 (at which point they made enquiries and stopped the trade by the end of the following month) or that those who did handle the transactions within JMB had been told about gold frauds. JMB had been buying gold for ten months in circumstances which ought to have aroused suspicion of VAT fraud; and when the director in charge of the gold business stepped in and stopped the trade, he did not take the prudent step of telling Customs (or Bank of England colleagues) that the gold JMB had been buying over this period might have been the result of VAT fraud. But this is not evidence of fraudulent conduct, and Customs are now satisfied that no further evidence to warrant proceedings is to be found.

The Chancellor proposes to announce this conclusion by means of the following arranged Written PQ, which is being tabled tonight for answer tomorrow.

- Q. To ask Mr Chancellor of the Exchequer, what has been the outcome of HM Customs and Excise investigations at Johnson Matthey Bankers.
- A. HM Customs and Excise have completed their enquiries at Johnson Matthey Bankers in connection with possible VAT offences in relation to gold bullion. I am informed by the Commissioners that there are no grounds for prosecuting JMB or any of its employees.

Treasury and Customs Press Offices will be briefed to the effect that they cannot add to this Answer.

Yours ever
Rachel

RACHEL LOMAX
Principal Private Secretary

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