

PRIME MINISTER

MEETING WITH THE CHANCELLOR

South Africa

Since David dictated his note, Peter Middleton has telephoned to say that the major South African bank, NED Bank, may be forced to close its doors ^{in London} tomorrow because of its inability to maintain sufficient lines of credit in the inter-bank market. The Bank of England are reasonably relaxed (though even at the height of the Mexican and Brazilian financial crises, those countries' banks kept their access to the inter-bank market). The Bank's assessment is that the two major British banks operating in South Africa, Standard and Barclays, are not much affected.

JMB and Ansbacher

Peter tells me also that he thinks that Mr. Lawson's main motive in wanting a Department of Trade inquiry into JMB and Ansbacher (and the activities of its former Chairman, the new Labour Peer Lord Williams) is that this will help divert the Opposition (Mr. Sedgemore et al) from their campaign for a public inquiry into JMB.

But will it? Won't the Government be criticised for sitting on its hands for almost a year before commissioning an inquiry? When will the inquiry report - near the next election? And what would the Government do with the inquiry's report?

None of this is to argue against an inquiry. But to suggest that Mr. Lawson should not rush you into a decision tomorrow. You need a meeting of the Ministers concerned (Chancellor, Secretary of State for Trade and Industry, Attorney General and the Governor?) to consider a detailed paper on these issues before coming to a decision.

N.L.W.

NIGEL WICKS

29 August 1985

Econ For: Meetings with Chanc

PRIME MINISTER

MEETING WITH THE CHANCELLOR

SOUTH AFRICA

Chanc and Ambassador

1985-1986
29 August 1985

TIME MINISTER

MEETING WITH THE CHANCELLOR

You are to have an extended bilateral with the Chancellor tomorrow, scheduled to last two hours.

Two topics have been mentioned to me as ones he may want to raise with you:

- (i) JMB and Ansbacher: we discussed earlier; a copy of the article from the Spectator which you saw, is below;
- (ii) EMS: the Chancellor may want a reflective discussion with you on this; he is apparently beginning to look more favourably at the possibility of the UK joining the exchange rate mechanism. *

Subjects you might raise with the Chancellor include:

- (i) South Africa: Dr. de Kock, Governor of the Reserve Bank of South Africa is in London. The Bank want to discuss with him the position of Barclays and Standard and Chartered, with their interests in South Africa. There is apparently no question of de Kock wanting financial support from the UK, though you will now have seen Mr. Kinnock's letter to you about this.
- (ii) The Green Paper on Tax Reform: when does the Chancellor intend to report to you on this? How are his discussions with Mr. Fowler going?

* Apparently, he feels that the ERM will give a needed framework for monetary discipline and that, if we are to enter, best to do this within the next 6 months, well in advance of the next election.

Julie Bowers

PP DAVID NORGROVE
29 August 1985

N.C.W.
24.8

A singular bank statement for Mr Hattersley's adviser

CHRISTOPHER FILDES

Here is the instructive story of the Two Old Westminsters and the Poor Old Lady, or the dog which did not bark in the daytime. It begins at Westminster School, where once upon a time there were two clever little boys, called Charles Williams and Nigel Lawson. Charles's father was a Doctor of Divinity and his mother was a Cazenove. Nigel was no doubt the more clever, but Charles was easily the more athletic, and when they both went up to Christ Church, Oxford, Westminster's sister college, he captained the university at cricket. Nigel was then led astray into financial journalism, and disappears from our story for a while. Charles went into business, then into banking, then into Barings — one of the few directors of that less than radical bank to be a Labour Party activist and parliamentary candidate. From Barings the Callaghan government plucked him to be chairman of the Prices Commission, where his writ ran over the High Street banks. Then the government fell, its Tory successor shot Mr Williams's horse from under him, and he went off to run Henry Ansbacher. Now whatever might be said about Ansbachers, Barings it isn't. It could be called a middle-bracket issuing house with an inconstant record and periodic bouts of ambition. Mr Williams caught it in ambitious mood, made his mark, made deals. He stayed there until 18 January, when he resigned, in order (as the board then said) to pursue his other business interests. These interests have since come to include an association with the British Printing & Communications Corporation, under Robert Maxwell. Other interests were signalled, this year, by his inclusion in a list of life peers nominated by the leader of the Labour Party. He is now Lord Williams. For the party, he has been advising the Shadow Chancellor, Roy Hattersley. His hand is seen in the sequence of policy statements which Mr Hattersley has been producing through the summer. In particular, the plan for a National Investment Bank is thought to be Lord Williams's brainchild, and the City, jumping to conclusions, assumes that if such a bank were set up Lord Williams would be the first choice to run it.

This stately progression of events has come to be punctuated by a sequence of noises off, coming from the direction of Ansbachers. All was not well there, it now



appears, at the time of Lord Williams's departure. Laidlaw, the New York securities house which Ansbachers bought at about this time last year, turned out to be losing money hand over fist. The figures for the full year to 31 March showed that Laidlaw and other losers had so drained Ansbachers that almost all the capital had been lost, and the £3 million that remained was covered only by goodwill. Fortunately, the principal shareholders — the Belgian group of Pargesa and Banque Bruxelles Lambert — stood by Ansbachers and enabled it keep its doors open by subscribing for a £36-million issue of new capital. At that time the board said that the interim dividend, paid in the winter, should not have been paid, that there were not the funds to cover it. Two directors, neither of whom had been on the board at the time, were asked to report: they included Richard Fenhalls, Lord Williams's successor as group managing director. Their report has now been sent to shareholders. They say that Ansbachers' interim statement for the half-year to 30 September last did not give a true and fair view, that it should have shown a substantial loss and not a profit, and that its language was unrealistic. They say: 'Summarised information was supplied to the board by the then Group Managing Director [Lord Williams] in relation to the results of the company to 30 September 1984 which omitted facts which in our view should have been made available to the board, and without which the board was not in a

position to form a true and fair view of the affairs of the company on a consolidated basis.' They considered whether any director had acted without an 'honest belief' that there were profits when there were not, and specified that they found no evidence of this in the case of certain identified directors. They find no motive of personal gain, and in view of that finding and of the company's interest in not reopening a matter of past history, they recommend that no action should be taken against any director arising out of the payment of the interim dividend. Lord Williams, commenting on this, has protested that he was never invited to give evidence to the two-man inquiry, and that he has been treated unfairly and contrary to natural justice. If so, he is not the only banker, commercial or official, to be so treated just now.

Now for the other Old Westminster and the non-biting dog. Nigel Lawson finds himself chivvied from every side, most fiercely of all over Johnson Matthey Bankers. He has never lacked the urge to fight, or the instinct for the jugular. How has he missed his chance to bite back? Why not characteristic toothmarks on the Shadow Chancellor and his chosen adviser, the ennobled banker in the deeper shadows behind him? A sense of fairness? The old school tie? Perish the thought. Mr Lawson's difficulty is his posture of defence. Don't bite me, he says, just watch me bite the Bank of England, and if you bite it, too, I won't stop you. So now we begin to get reports that Ansbachers was a mistake for the Bank to set beside Johnson Matthey Bankers — that there, too, the Bank's supervisors missed what was going wrong. That is the converse of the truth. The Bank looked at Ansbachers' figures, looked at them again and blew the whistle, forcing through the changes of management — and finally persuading the Belgians to come to the rescue. Good supervision averted a banking failure. No doubt it averted others — some four or five of them in the last few years, so the City believes. Watching banks is like watching spies — only the misses make the headlines. A pity, then, that the Chancellor has not told any part of this story; a pity that he cannot stop growling at the Old Lady. She is a faithful old thing, really, and he has more deserving enemies.

L. J. Corp Man

JM 47-8

G Mac. 68

NL

P.C. 49-50.

K.C. 45

Allen Balle
Alan Blahé
Bob Mann
John Balle

Michael Howard

Peter Lilly

Richard Byler

George Wilder

Richard Needham

Different Results

Don Thompson

Prisoner Earl Jones
