



CONFIDENTIAL

HOUSE OF LORDS,  
SW1A 0PW

13 December 1985

NBM

My dear Willie.

CONFISCATION OF THE PROCEEDS OF DRUG TRAFFICKING

I have read Douglas Hurd's further letter of 9th December 1985 and the one from John Moore of 2nd December 1985 which he enclosed with it.

I appreciate Douglas Hurd's need to gain access to all material information in the search for the proceeds of drug trafficking but I still think that some protection for information compulsorily obtained by the Inland Revenue is required as well.

I suggest that we might be able to meet both these purposes if the Inland Revenue, in addition to having an opportunity to argue that an application is simply unmeritorious or potentially injurious to a wholly innocent third party, might also be enabled, in the last resort, to ask the Chancellor of the Exchequer to refuse to disclose particularly sensitive taxpayer information on grounds of public policy.

I see this as a desirable addition to the proposed settlement of issues as set out in John Moore's letter of 2nd December but these matters must be for Nigel Lawson and Douglas Hurd and I am content to leave the final decision to them.

Douglas Hurd has also raised the question whether there should be provision for statutory compensation where assets have, in the event, proved to have been frozen needlessly.

The Right Honourable  
The Viscount Whitelaw, CH., MC.,

cont...2

CONFIDENTIAL

-2-

As a freezing order is only to be granted by the High Court where the Court is satisfied that the assets come from the defendant, I do not find such an order sufficiently analogous to any made on application in the course of civil proceedings to require statutory compensation as an equivalent to cross-undertakings. I share Douglas Hurd's view that compensation should be put on the basis that it would be available only where there has been a serious default by the prosecuting authorities.

I am copying this letter to the Prime Minister, other members of H Committee and the Solicitor-General and to Sir George Engle and Sir Robert Armstrong.

yrs: sincerely;

Hailsham

Home Affairs. Drugs Pt 3.

