



cc: [Handwritten initials]

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

7 January 1986

The Rt. Hon. Leon Brittan QC MP
Secretary of State for Trade and Industry

A handwritten signature in dark ink, appearing to read 'Leon Brittan'.

LLOYDS AND THE FINANCIAL SERVICES BILL

You asked for an early reaction to the proposal in your letter of ^{act.} 6 January.

I share your concern about Lloyds, and the Parliamentary pressures that are building up, and agree that we must seek if we can to strengthen the Government's position - not only in the context of the Financial Services Bill. But I am not convinced that your proposal for an inquiry, possibly leading to legislation in 1986/87, is the right way forward.

In any event, introducing complex and separate legislation on Lloyds in 1986/87, should that prove necessary, is for obvious reasons not an attractive prospect. If we have to grasp the nettle of legislation it would, politically, be much better to do so quickly.

I therefore do not accept that we should yet rule out the idea of bringing Lloyds within the scope of the Financial Services Bill without making it hybrid; or that this would necessarily carry the risk of unacceptable conflicts between regulation concerned with investor protection and regulation concerned with the protection of policy holders. As you say, this would be difficult but not impossible.

In short, I recognise the difficulties we will face at the Second Reading of the Financial Services Bill, but I have considerable doubts as to whether your proposal is the best way forward. I think it important to consider the alternative option further.

I am copying this letter to the Prime Minister, the Lord President of the Council, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON

