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10 DOWNING STREET

From the Private Secretary

15 April 1982

Falkland Islands:
Government Savings Bank

Thank you for your letter of 14 April. I believe that the Prime Minister's main concern was to establish whether the Islanders' savings were at risk as a result of the Argentine occupation.

Before I show Mrs. Thatcher your letter, are you able to add anything on this point?

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

14 April 1982

Dear John,

Falkland Islands: Government Savings Bank

I understand that the Prime Minister would like details on the position of Islanders' deposits in the Falkland Islands Government Savings Bank, including the rate of interest paid.

The interest paid by the Government Savings Bank on private deposits (5 per cent tax-free) has been set at the discretion of the Falkland Islands Government, within whose competence it has been. The FIG have taken the view that a higher rate of interest would reduce their income without attracting compensatory new deposits and might require them to raise additional taxes or to seek further aid. Islanders have been otherwise able to invest their savings overseas, principally in the UK, where they have received the going rate.

During 1981, proposals were carried forward to transform the Government Savings Bank into an institution offering a wider range of normal commercial services. The intention was to complete this process during 1982. While the formation of a commercial bank would not on its own affect the rate of interest paid on private deposits, it would be for the commercial judgement of the Bank's manager whether to make rates more competitive.

Since the Argentine occupation of the Falkland Islands, we have had no information on the present position of the Government Savings Bank. We have however seen no reports of Argentine interference with its operations.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing St

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