

to the Minister -
Mr Heseltine



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Prime Minister
This is a redraft of a
draft you commented on
earlier. If you are content
with the substance, I will
recast it as a private
office letter to Dem. of
Environment.

Qa 04135

To: MR LANKESTER
From: SIR KENNETH BERRILL

Building Societies

One other comment - with this
come as a 64-76
for the week of 5/6
Building Societies - 1/2
do you
mean
just the
of full
regular
meetings
between
them -
no D.O.?
over

1. I sent a minute to Mr Stowe on Building Societies on which the Prime Minister commented. I now attach a revised minute on this subject taking into account the points made by the Prime Minister which she may consider sending to the Secretary of State for the Environment.

2. Both the Chancellor of the Exchequer and the Secretary of State for the Environment are concerned with the Building Societies. Building Societies accounted for nearly 38 per cent of sterling deposits of United Kingdom residents in 1976 compared with 31 per cent held by the Clearing Banks so the Chancellor is very interested in the financial aspects of their activities and, for example, was responsible for presenting the Grays report to Parliament. The Secretary of State for the Environment is concerned with the housing aspects of the Building Societies. The redrafted minute gives greater prominence to the housing aspects and it would thus be appropriate for the Prime Minister to address the minute to Mr Heseltine.

3. I fully share the Prime Minister's doubts about the management of the Building Societies. Many of them are far from impressive. Their Boards of Directors tend to be self-perpetuating oligarchies, who are de facto accountable to no one. Also they lack the profit motive, although they are usually concerned to increase the size of their societies.

4. I am sending a copy of this minute and the attachment to Sir John Hunt.

KB

5 June 1979

Att

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Draft Minute from the Prime Minister to the Secretary of State
for the Environment

BUILDING SOCIETIES

In our Manifesto we stressed the need to help more people become home-owners [p. 7]. I should be grateful if you would arrange for your Department to consider (in consultation with officials in the Treasury, the Scottish and Welsh Offices, and the CPRS) ways in which the present structure and management of the Building Societies could be improved so as to help promote over the next decade a substantial increase in home ownership. I hope that the study might inter alia cover the respective contribution the Building Societies, the Banks, and the life offices might make to the achievement of our housing objectives over this period; ways of making Building Societies in reality more accountable to their borrowers and lenders; (~~modernisation of the management and administration of Building Societies, which often still appear archaic; the growth of expensive new building society offices in central urban locations~~) and ways in which the Building Societies can adapt themselves to provide more help for lower income borrowers wishing to purchase older and lower grade housing.

Per 1/14
I would hope that the study could cover the future of the 150 or so Building Societies with assets of less than £2m., which account for less than $\frac{1}{2}$ per cent of the total assets of the Societies. Many



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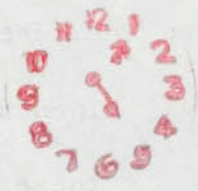
of these are dormant and few offer real competition to the larger Societies. ^{WPM} I understand that, where the competence of the management is thought to be in question, the Chief Registrar encourages these small Societies to merge with larger ones. ^{she} I would be grateful for advice as to whether enough is being done in this direction. In the light of the Grays affair, can it be said that small investors have adequate protection?

On the larger Societies, ^{WPM} I would be grateful for advice on whether there is room for encouraging greater competition between them. Rather than the Building Societies Association maintaining their present system of recommended lending and borrowing rates, could they not be encouraged to permit at least a range of rates as a first step in the direction of greater competition? Would this help to avoid periodic mortgage fund shortages which stand in the way of encouraging wider home ownership?

→ I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for the Environment, Scotland and Wales, and to Sir John Hunt and Sir Kenneth Berrill.



- 5 JUN 1979



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