

PRIME MINISTER

Mr. Rees's attached request to remain an "outside name" at Lloyds is not as straightforward as others you have considered. Sir John Hunt sets out the considerations in the minute at Flag A. He suggests that, whilst a genuine conflict of interest is unlikely, you need to make a judgement on whether any Treasury Minister who is liable to have dealings with the City should, like the Chancellor, be seen to be "purer than pure".

Would you like Mr. Rees to take some further step to distance himself from the Lloyds' connection, e.g. by "suspending membership" as in paragraph 5 of Sir John Hunt's minute?

*(I doubt whether Peter will have any dealings with the City. The only step is that he would not propose or support any amendment on this subject for a time)*

25 June 1979



**10 DOWNING STREET**

**PRIME MINISTER**

Peter Rees is an "outside" name at Lloyds. You will recall that Sir John Hunt advised that there is a judgement to be made as to whether all Treasury Ministers should be seen to be completely divorced from the City, as is the rule in the case of the Chancellor. You felt that Mr. Rees would have no dealings with the City, and that the only difficulty might arise if he became involved in legislation on Insurance Tax Relief.

I asked whether Mr. Rees felt that, in this area, his connection with Lloyds might give rise to awkward media speculation. I attach his reply.

This now comes back to the question of judgement to which Sir John Hunt referred (see Flag A). Are you content that Mr. Rees should remain an "outside" name?

*Yes orb*

*MAP*

9 July 1979

Ministers

29



10 DOWNING STREET

*From the Private Secretary*

12 July, 1979.

Thank you for your letter of 6 July, reporting that Mr. Rees is satisfied that the problem set out in my letter of 27 June will not arise.

On this understanding, the Prime Minister is content that Mr. Rees should remain an outside name at Lloyds.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. A. PATTISON

M.C. Felstead, Esq.,  
H.M. Treasury.

ABO



ec. 100. ✓  
12/7

Treasury Chambers, Parliament Street, SW1P 3AG

M Pattison Esq  
10 Downing Street  
LONDON  
SW1

6 July 1979

*Dear Mike*

Thank you for your letter of 27 June. The Minister of State has asked me to say that he foresees no fiscal problems specifically affecting Lloyds or its members on the horizon, but should there be any, he is satisfied that the problem you describe should not arise. His shares in the syndicates to which he belongs and his total divorce from their management does he feels make his position quite unremarkable.

*Mat Felstead*

M C FELSTEAD  
Private Secretary

9 JUL 1979

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10 DOWNING STREET

From the Private Secretary

27 June 1979

Minister  
BF 6/27/79  
SS

*Peter*  
The Prime Minister has seen Mr. Rees's letter of 18 June, in which he seeks her permission to remain an "outside name" at Lloyds.

The position is especially delicate in the case of Treasury Ministers, and you will know that the Chancellor is absolutely barred from being a "name" at Lloyds, but other Treasury Ministers are considered in relation to their particular responsibilities.

The most obvious point of possible difficulty in the case of Mr. Rees is if he finds himself dealing as a Minister with any amendment to tax relief arrangements for insurance. Whilst the Prime Minister has no doubt that he would act with complete integrity in such matters, there would be scope for innuendo in the media which would be unwelcome for the Government. I would be grateful to know if Mr. Rees is satisfied that this problem will not arise.

M. A. PATTISON

M.C. Felstead, Esq.,  
HM Treasury.

*Alkin*

Ref. A09847

MR. PATTISON

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In your minute of 18th June you asked for advice on Mr. Peter Rees's request that he should be allowed to continue as an "outside name" at Lloyds.

2. Being an "outside name" means that Mr. Rees:-

- (i) has to put down a substantial sum in each syndicate to become a "name"
- (ii) may or may not have invested extra money in the syndicates to obtain a greater share of the profits
- (iii) takes no part in the management of the syndicates
- (iv) but shares, with the other "names", unlimited liability to the full extent of their personal fortunes if things should go wrong.

3. Mr. Rees's request is not at all straightforward since paragraph 74 of "Questions of Procedure for Ministers" debars the Chancellor of the Exchequer from being a "name" at Lloyds but is silent about other Treasury Ministers.

4. I think the most concise way of giving additional background to the Prime Minister is to attach copies of the relevant section from the Cabinet Office Precedent Book. You will see that there is no precedent of a Treasury junior Minister seeking guidance on the matter but that paragraph 6.25 envisages that, while the Chancellor is absolutely barred, other Treasury Ministers will be considered "in relation to their particular responsibilities". So far as Mr. Rees is concerned he would not seem to have a specific conflict of interest if he remains a "name" (as would e.g. the Minister of Transport if he remained a "name" in a Motor Syndicate), but he has of course got some responsibility in the taxation field.

5. You will also see that some previous Ministers have "suspended membership". This means that they have retained the position as at (i), (iii) and (iv) in paragraph 2 above but have taken out any additional money from the syndicate as at (ii). There is apparently no way of ceasing temporarily to hold unlimited liability. To avoid this a member would have to cease to be a "name" and buy his way into a syndicate again after he had given up the Ministerial office in question.



6. To sum up, I do not think that Mr. Rees is debarred by paragraph 74 of "Questions of Procedure" from continuing to be a "name" and I do not think that any real question of conflict of interest is likely to arise. The only question is whether any Treasury Minister who is liable to have dealings with the City ought to be like the Chancellor and be "purer than pure". I think I must leave this to the Prime Minister's judgment.

*JH*

(John Hunt)

CONQUEROR

22nd June, 1979



"NAMES" AT LLOYDS.

(file 16/4, Part 3, Annex C; Part 4 Annex 5).

"A Minister cannot properly continue to be a "name" at Lloyds while holding office as Prime Minister, Chancellor of the Exchequer or Secretary of State for Trade. In each case he is required to suspend his underwriting activities. As regards other Ministers who, on appointment to office, are "names", it is clearly inappropriate that they should take an active part in the management of the affairs of the syndicates of which they are members; and there may be cases in which, because of the emphasis of a syndicate's business, any continued participation in it must be regarded as inconsistent with the holding of a particular Ministerial office. All Ministers are therefore required, on appointment whether to their first or to any subsequent Ministerial office, to obtain the permission of the Prime Minister before continuing a connection with Lloyds, however nominal, which they had established before appointment or establishing any such connection during their term of appointment. Before granting permission, the Prime Minister will need to be satisfied that the conditions indicated above will be met."

(C(PR)(76)1, paragraph 76).

6.22 The rule is analagous to that for shareholdings.

6.23 A "name" is a member (similar to a shareholder in a company but with unlimited liability) of an underwriting syndicate. There is no possibility of having a controlling interest in a syndicate. The question is whether, nonetheless, a potential conflict of interest requires a Minister to cease to be a "name".

6.24 Ministers are required to obtain the Prime Minister's permission to continue as a "name" both on first appointment and on any change of office (because the potential conflict of interest is heavily dependent on particular Ministerial offices). And they must also do so if they propose to become "names" while in office. (Until 1971, apart from the "barred" offices (see below) Ministers were only required to obtain the Prime Minister's permission

if they wished to become a "name" while a Minister, (including Ministers not in the Cabinet and Junior Ministers to the most affected Departments). This meant that there was no check on Ministers who were "names" already on taking office. An amendment in 1971 made good this gap).

6.25 The Departments most concerned with insurance are Treasury and the Department of Trade. Accordingly the Chancellor of the Exchequer and the Secretary of State for Trade are absolutely barred from being "names". Other Ministers in these Departments (like other Ministers generally) will be considered in relation to their particular responsibilities. The Prime Minister is also barred from being a "name" (since 1973).

6.26 In addition to Treasury and Trade, Transport has an interest in motor insurance, (the Minister of Transport was "barred" until the office was abolished in 1970), Health and Social Security in pensions and life insurance, and Employment in employers' liability insurance. It is probably sufficient that the Secretaries of State in these cases should not be members of any syndicate dealing in these classes of insurance. (There was considerable debate in 1971 as to whether the Secretaries of State with these responsibilities should be barred completely. It was decided not but the words "there may be cases in which, because of the emphasis of a syndicate's business, any continued participation in it must be regarded as inconsistent with the holding of a particular Ministerial office" were added).

6.27 Ceasing to be a "name" means no longer being a member of a syndicate. A Minister may still belong to Lloyds. Furthermore, he will still have a responsibility for the business done by his syndicate while he was a member (profits and losses in a particular year are often not finally settled until a number of years later).

6.28 On one occasion, in 1972, Ministers who were "names" had their attention drawn to the possibility that syndicates in which they were involved might be at risk on Distiller's business in relation to compensation for Thalidomide children. (In the event, no Minister was a member of a syndicate with a direct insurance interest in Distillers, though some were involved through reinsurance).

Ministers who have been "names" at Lloyds since 1966.

1966-1970	None	
1970-1974	Humphrey Atkins	(Deputy Chief Whip, later Chief Whip - no objection).
	Lord Aberdare	(Minister of State, DHSS later Minister without Portfolio - no objection).
	Mr Baker	(PUSS, Defence, later PUSS, FCO - no objection).
	Robert Carr	(S/S Employment, later Lord President and Home Secretary - agreed subject to "scrupulous care" to ensure no conflict of interest).
	Viscount Colville	(Minister of State, Home Office - no objection).
	Lord Denham	(Lords Whip - no objection).
	Mr Fortescue	(Commons Whip - no objection).
	Mr Gibson Watt	(PUSS, Welsh Office - no objection).
	Lord Hailsham	(Lord Chancellor - no objection).
	Lord Jellicoe	(Lord Privy Seal - no objection - but suspended membership from 31.12.70).
	Mr Jopling	(Commons Whip - no objection).
	Sir Keith Joseph	(S/S Social Services - agreed subject to "scrupulous care" - suspended membership from 31.3.72).
	Reginald Maudling	(Home Secretary - was asked by the PM for an assurance that there was no inconsistency between his Ministerial duties and the business undertaken by his syndicate).
	Lord Mowbray and Stourton.	(Lords Whip - no objection).
	Lord Polworth	(Minister of State, Scottish Office - no objection).
	Francis Pym	(Chief Whip, later S/S Northern Ireland - no objection).
	Mr Royle	(PUSS, FCO - no objection).
	Lord St Aldwyn	(Lords Chief Whip - no objection).
	Peter Walker	(S/S Environment, later S/S Trade and Industry - agreed (when S/S Environment) subject to "scrupulous care" - suspended membership, so the question did not arise at DTI).
	Mr Weatherill	(Commons Whip - no objection).
1974-	None	
present		

FILE

VUS

of 25/6

MR. VILE

CABINET OFFICE

Could I please have advice on Mr. Peter Rees's request (attached) for the Prime Minister's permission that he continue as an "outside name" at Lloyds.

M. A. PATTISON

18 June 1979

Re



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Margaret Thatcher MP  
10 Downing Street  
LONDON

*My dear Prime Minister*

18 June, 1979

Prompted by the memorandum, Questions on Procedure for Ministers, which you have sent me - and in particular paragraph 74 - I am writing to ask your permission that I might continue as an "outside name" at Lloyds.

At the present I am a name on the following syndicates:

GL Towers, Marine, Syndicate 406  
JPN Rouse, Non Marine, Syndicate 570  
Roberts and Hiscox, Non Marine, Syndicate 33  
Leadenhall, Motor, Syndicate 254  
G W Hutton, Marine, Syndicate 803  
Anton, Non Marine, Syndicate 179  
David Willis, Aviation, Syndicate 97  
KGM, Motor, Syndicate 260

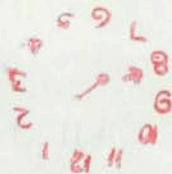
I do not take, and have never taken, any part in the management of the affairs of these syndicates.

My underwriting agents are Willis Faber and Dumas (Agencies Ltd). I am not a shareholder of that company, nor am I, nor have I been, concerned with the affairs of that company.

I should, perhaps, add that I have no plans to extend my interest in the syndicates that I have listed or to join any other syndicates.

*Yours sincerely* Peter Rees

PETER REES



18 JUN 1979

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