



Prime Minister

This seem alright.  
CAPS are content.  
Do you agree?

Yes not D..

17/7

CONFIDENTIAL

PRIME MINISTER

HOUSE PURCHASE FINANCE REVIEW GROUP

Flag A

Following your Private Secretary's letter of 6 June and subsequent correspondence, I have discussed your proposals for a review of house purchase finance with the Financial Secretary and the Secretary of State for Scotland.

We have agreed that the group's work should be based on a wide remit. As the group moves into its work, however, we may have to consider whether to ask for an interim report to ensure quick conclusions on the central issue of ensuring adequate flows of funds to support a growth of home ownership.

We believe that the group would be much more effective if it included authoritative outside members from financial institutions. This does present some difficulties because it will not be possible to disentangle important aspects of Government policy from the overall discussion of the provision of funds for house purchase. But we have more to gain than to lose from bringing in the knowledge and experience of the outside institutions.

An important part of the exercise is an examination of the operation of the Building Societies Act 1962 in relation to the accountability, protection of investors and mergers. It would be difficult to persuade the building societies to discuss the statutory oversight of their movement at a table with representatives of other financial institutions. It therefore seems right for this part of the review to be conducted interdepartmentally and in confidence.

The attached annex to this minute sets out the proposed terms of reference and composition of the group. These terms are sufficiently wide to permit discussion of all matters set out in the letter of 6 June, with the special exception of the 1962 Act.

Participation in the group by an influential building society figure is important. I intend to carry out soundings of the financial institutions and individuals prior to the formal establishment of the review group. I hope the group will be able to produce a substantial interim report within two months, followed by a final report two months after that.

Because we propose that there should be outside representatives on the review group, it is inevitable that its existence will become public knowledge. I therefore propose to announce its establishment in answer to a pre-arranged Parliamentary Question as soon as the non-government membership has been settled.





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I should be grateful to know whether you are content with these proposals.

I am copying this minute to the Financial Secretary, the Secretaries of State for Scotland and Wales, the Secretary of State for Trade, Sir Kenneth Berrill and Sir John Hunt.

*W. S. B.*

MH

13 July 1979

HOUSE PURCHASE FINANCE REVIEW GROUP

I Terms of Reference

1. To assess
  - the relative degree of success in promoting the growth of home ownership in Great Britain and comparable countries;
  - the demand for and potential growth of home ownership over the next decade on the assumption that the existing patterns of financial support for housing continues unchanged.
  
2. To make recommendations on ways and means of securing adequate and stable flows of funds to sustain a substantial growth in home ownership over the next decade, with particular reference to
  - new methods by which the building societies might raise funds from the personal savings sector;
  - methods by which the building societies may raise funds for lending for home ownership from other major financial institutions; and
  - extension of direct lending for house purchase by others than building societies.
  
3. To make recommendations on ways and means of increasing lending on older, cheaper property and to people on lower incomes.

II Membership

Government representation

Department of the Environment (2)  
excluding DOE Chairman & Secretary  
HM Treasury (2)  
Bank of England (1)  
Registry of Friendly Societies (1)  
CPRS (1)

Non-Government

Building Societies (1)  
Clearing Banks (1)  
Merchant Banks (1)  
Pension Funds (1)  
Insurance Companies (1)

Co-option: the Group would be assisted as necessary by co-opting representatives from:

- other Government Departments (eg SDD, Welsh Office, Inland Revenue, Department of Trade);
- other bodies, eg representatives drawn from other bodies such as local authorities and employers who provide assistance to employees for home ownership.



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5 6 7 8 9



CONFIDENTIAL



no vs  
Housing

10 DOWNING STREET

*From the Private Secretary*

18 July 1979

House Purchase Finance Review Group

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 13 July on the above subject, and is content with his proposals.

I am sending copies of this letter to the Private Secretaries to the Financial Secretary, the Secretaries of State for Scotland and Wales, the Secretary of State for Trade, Sir Kenneth Berrill and Sir John Hunt.

**T. P. LANKESTER**

D.A. Edmonds, Esq.,  
Department of the Environment.

CONFIDENTIAL

*L. King*





1. Mr Sanders MP  
2. Iain Amis

2 MARSHAM STREET  
LONDON SW1P 3EB

This seems alright.

My ref:

Your ref:

5 November 1979

Yes  
J  
G

Dear Tim

HOUSE PURCHASE FINANCE REVIEW GROUP

You may remember that on 18 July you wrote to me with the Prime Minister's agreement to the establishment of this Review, with the participation of non-Government members. Unfortunately there has been some delay in securing the cooperation of the Building Societies Association to a review with a broad scope. However, a general description of a remit has been agreed, together with membership.

I attach the text of a Parliamentary announcement which my Secretary of State now proposes to make, together with a press release which gives a little detail about the outside members. My Secretary of State thought that the Prime Minister would wish to have advance warning of this announcement.

I am copying this letter to the Private Secretaries to the Secretaries of State for Scotland, Wales and Trade, to the Lord President, the Financial Secretary, Sir Kenneth Berrill and to Sir Robert Armstrong.

Yours sincerely  
D A Edmonds

D A Edmonds  
Private Secretary

Tim Lankester Esq  
10 Downing Street



ok

DRAFT ARRANGED QUESTION AND ANSWER

Q. To ask the Secretary of State for the Environment if he will make a statement about finance for home ownership.

A. It is the Government's policy to encourage a substantial growth in home ownership in the longer term. I am therefore establishing a group including people of experience from the main financial institutions to consider and review possible options on ways and means of securing an adequate and stable flow of funds in order to achieve this objective.

The group will be led by my Department, and the non civil service members will be Mr J Alan Cumming (Chief General Manager, Woolwich Equitable Building Society), Mr Philip Chappell (Director, Morgan Grenfell and Co), Mr J D Webster (Director and Assistant General Manager, Sun Life Assurance Society), Mr F W Crawley (Deputy Chief General Manager, Lloyds Bank) and Mr Tom Baron (recently appointed my Special Housing Advisor).



DRAFT PRESS NOTICE

HOUSE PURCHASE FINANCE REVIEW GROUP

The Secretary of State announced in Parliament today that he was setting up a group to review finance for home ownership. In answer to a question from

MP, Mr Heseltine said:

"It is the Government's policy to encourage a substantial growth in home ownership in the longer term. I am therefore establishing a group including people of experience from the main financial institutions to consider and review possible options on ways and means of securing an adequate and stable flow of funds in order to achieve this objective. The group will be led by my Department and the non civil service members will be Mr J Alan Cumming (Chief General Manager, Woolwich Equitable Building Society), Mr Philip Chappell (Director, Morgan Grenfell and Co), Mr J D Webster (Director and Assistant General Manager, Sun Life Assurance Society), Mr F W Crawley (Deputy Chief General Manager, Lloyds Bank) and Mr Tom Baron (recently appointed my Special Housing Advisor)."

NOTE TO EDITORS

In addition to the Department of the Environment, the Treasury, Bank of England, Registry of Friendly Societies and Central Policy Review staff will be represented on the Group.

The biographical details of the members are as follows:

Mr J Alan Cumming General Manager, Woolwich Equitable Building Society 1969; Chief General Manager since 1976; Director 1978; President of the Building Societies' Institute 1973-74; Deputy Chairman of the Building Societies Association.



Mr Philip Chappell CBE Director, Morgan Grenfell and Co Ltd since 1964; a Vice-Chairman, Morgan Grenfell Holdings since 1975; Director, Equity and Law Life Assurance, Fisons, International Computers and Guest Keen and Nettlefold; Member, London Board of Bank of New Zealand; Chairman, National Ports Council 1971-77; Governor of the BBC since 1976; Chairman, EDC for Food and Drink Manufacturing Industry; Deputy Chairman Institute of Bankers.

Mr John D Webster Director and Assistant General Manager (Investments), Sun Life Assurance Society since 1978; also Director of Artagen Properties, Solar Life Assurance and Sun Life Pensions Management; currently a Deputy Chairman of the Investment Protection Committee of the British Insurance Association.

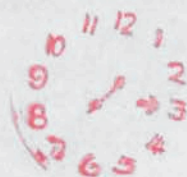
Mr Michael J Kerr Mr Kerr who is a chartered accountant has been Secretary and General Manager of the Airways Pension Scheme since 1977. In 1970 he joined British Gas, where he was responsible for control of the gas industry's capital expenditure; in 1974 he was appointed to centralise the investments of the 26 separate pension funds operated by British Gas; and later appointed manager, Pension Funds Investments. In the 1960's he was Head of the Economic Efficiency Unit of the GLC, and Principal Assistant to British Rail's Director of Audit.

Mr F W Crawley Deputy Chief General Manager, Lloyds Bank Ltd.

Mr Tom Baron FRICS Mr Baron was appointed on 1 October for a six month period as special advisor to the Secretary of State on housing matters. During this appointment, he has temporarily resigned his positions as Director, Christian Salvesen Ltd, as Chairman and Managing Director, Christian Salvesen (Properties) Ltd, and as Honorary Secretary of the Volume Housebuilders Study Group.



- 5 NOV 1979



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Housing



10 DOWNING STREET

From the Private Secretary

7 November 1979

Dear David.

House Purchase Finance Review Group

You wrote on 5 November enclosing a draft of the Parliamentary announcement which your Secretary of State proposes to make on the above subject. I have shown this to the Prime Minister, and she is quite content. I am copying this letter to the Private Secretaries to the Secretaries of State for Scotland, Wales and Trade, to the Lord President, the Financial Secretary, Sir Kenneth Berrill and to Sir Robert Armstrong.

Yours

D.A. Edmonds

D.A. Edmonds, Esq.,  
Department of the Environment.







2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

CONFIDENTIAL

3 July 1979

*Dear Tim*

*R 317*

HOUSE PURCHASE FINANCE: INTERDEPARTMENTAL  
REVIEW

David Edmonds wrote to you on 12 and 16 June about this review. You will wish to see the attached note of a meeting which my Secretary of State had with colleagues last Thursday, at which the way ahead for this review was agreed.

I am copying this to Tony Battishill (HM Treasury), Kenneth Mackenzie (Scottish Office), George Craig (Welsh Office), Martin Vile and Sir Kenneth Berfill.

*Yours sincerely*  
*Paul Bristow*

P N BRISTOW  
Private Secretary

Tim Lankester Esq



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NOTE OF A MEETING ON BUILDING SOCIETIES AND RELATED ISSUES, 4PM  
THURSDAY 28 JUNE 1979, 2 MARSHAM STREET

Present: Secretary of State for the Environment  
Minister for Housing and Construction  
Sir Geoffrey Wardale  
Mr Barnett  
Mr Heiser  
Mr Sorensen  
Mr Rhodes

Financial Secretary, HM Treasury  
Mr Bridgeman, HM Treasury

Secretary of State for Scotland  
Mr Band, Scottish Office

Sir Kenneth Berrill, CPRS

Mr Hosegood, Welsh Office

*See*  
*Prime Minister*

*This is the*  
*general review*  
*we have set in*  
*hand.*

*R*  
*3/7*

HOUSE PURCHASE FINANCE

1. The Secretary of State for the Environment said that the Department of the Environment had been asked by the Prime Minister to take the lead in a review on the improvement of building societies' structure and management, and associated matters, so as to help promote over the next decade a substantial increase in home-ownership (No. 10 letter of 6 June and subsequent correspondence refers). The Secretary of State for the Environment made the following proposals.

CONTENT OF REVIEW

2. There were a series of broad questions which officials should be instructed to examine but without embarking on a major time-consuming comprehensive review.

First, the relative degree of success in promoting home ownership in Britain and abroad should be examined, with particular reference to how successful the building society movement had been in mobilising funds for home ownership.

Second, an assessment should be made of the demand for and growth of home ownership over the next decade given certain assumptions - notably that the existing pattern of financial support for housing broadly continued unchanged. The past performance of building societies would need to be extrapolated to determine whether existing methods of funding would be adequate.

Third, there were a number of more detailed issues including tax concessions for building societies, stabilisation of building society investment inflow and lending, broadening



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the range of lending, especially down market, and the operation of the Building Societies Act, which would need examination.

Finally, the review should include an examination of the extent to which new sources of house purchase finance were required and the ways in which such financial sources might be exploited to promote home ownership. The role of the pension funds, insurance companies, clearing banks, trustee savings banks and employers assisting the housing provision of the employees would have to be considered, as well as the development of newer methods of house purchase such as equity sharing.

COMPOSITION OF REVIEW GROUP

3. The group should consist of officials representing the Department of the Environment, Treasury, SDD, Welsh Office, the Bank of England, the Registry of Friendly Societies, and the CPRS; and also outside experts. These latter should include representatives drawn from the building societies, the clearing banks, the trustee savings banks, a merchant bank, a pension fund, an insurance company, and an employer assisting in the housing of employees. The numbers on the main group should be kept down to about a dozen.

TIMING

4. Officials should be instructed to report back to Ministers within a week on the detailed composition of the Committee and its work programme. They should then provide Ministers with an interim report by the end of August to be followed by the end of October with a final report.

5. The Financial Secretary, Treasury said that membership of the Committee, particularly non-Governmental representation would need to be carefully considered. There was a danger that officials were being instructed to embark upon a review on a scale which was inconsistent with the need for early conclusions. It might be better if the Committee's remit were narrowed down to 1 or 2 key issues, including how the financial institutions might be able to support the financing of home ownership. The implications for monetary policy would need to be considered.

6. After discussion, it was agreed that



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- (i) the Prime Minister's remit required that a wide range of issues should be considered; therefore it was necessary for the review to start on the basis that the subject matter outlined in paragraph 2 above should be covered. If necessary, the remit could be narrowed later on if the experience of the group suggested that this was necessary;
- (ii) the timetable proposed should be aimed at;
- (iii) officials should provide Ministers within a week with a short paper on membership, work programme and method of operation of the review group.

H4

DOE

June 1979



3 JUL 1979

