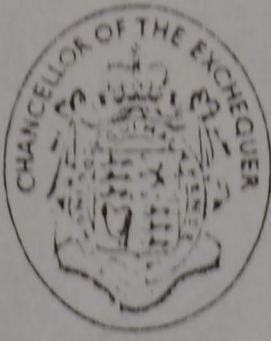


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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Gordon Richardson MBE
Governor of the Bank of England
Bank of England
Threadneedle Street
LONDON EC2

24 January 1983

cc'd 2.10pm 25/1

Gordon Richardson

CITY PROBLEMS AND THE HOWDEN CASE

I have been concerned for some time that the arrangements for handling City problems do not always work as effectively as we might like. The Howden affair is perhaps a case in point. It is, of course, chiefly a Department of Trade responsibility. But the Bank of England naturally has a strong interest in Lloyds as a City institution and the Treasury has a natural interest too, because Lloyds forms part of the framework of City financial institutions and markets on whose reliability and effectiveness the economy as a whole depends.

I suggest that it would be useful for us to get together with Arthur Cockfield, to see what general lessons the Howden episode may have for us and what action might be desirable in consequence.

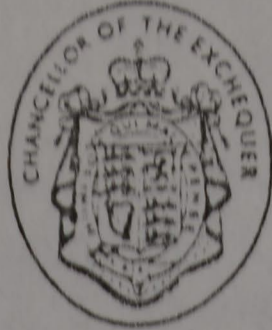
The questions that occur to me in the light of Howden are:-

a. Do we - by which I mean the Government and the Bank of England collectively - take effective action fast enough in response to the kind of situation which arose in Howden? If not, should statutory powers be used more promptly or positively? Do they need to be changed? Or is other non-statutory action indicated?

b. Do the arrangements for consultation and communication of information between our three institutions work as effectively as they should in cases of this kind? Do they work fast and early enough in cases of urgency? Do they work clearly? Could they be improved

/by greater use

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by greater use of written communication, to avoid ambiguity and misunderstandings about the views or intentions of any of the parties?

c. In cases where there may be a question of possible criminal liability, are we satisfied about the clarity and timing of arrangements to ensure that the police are appropriately informed?

d. Are there areas of City business for which responsibility within Government is not sufficiently clearly defined, and does this create a danger that action will not be taken quickly or positively enough to prevent a scandal or crisis, or to deal with it promptly if it occurs?

I would welcome a general discussion on these issues, and any other related points which occur to you or to Arthur Cockfield, to whom I am copying this letter.

A handwritten signature in dark ink, appearing to be "G. Howe", with a horizontal line above it and a short horizontal line below it.

GEOFFREY HOWE