

NOTE FOR RECORD

Copies to The Governor

Mr Loehnis  
Mr Walker  
Mr George  
Mr Galpin  
Mr Cooke  
Mr Flemming  
Mr P J Bull  
Mr Mallett  
Mr Nicolle

JOHNSON MATTHEY

After the meeting in my room this morning, with the senior general managers of the clearing banks, I went down to the Treasury to see Middleton. I told him that while we were still working for a clean solution which would probably involve the purchase of the bank from the Group against warranties, we could not be sure that we would have achieved this before the weekend (or of course even later). If the news broke, we needed to be in position to stop a run on the bank. To this end we were putting together a standby facility with the clearers, backed by some form of indemnity from the Group. The terms of this standby would be those hallowed by the lifeboat: ie the clearers would be involved in proportion to their eligible liabilities as to 90% and the Bank of England would be in for 10% of a total of £200 million.

Middleton took this in his stride. He clearly saw the need to prevent a failure of Johnson Matthey. He doubtless took comfort from the indemnity from the Group though he did not explicitly refer to this, in simply agreeing that we were doing the right thing.

He said that since I had spoken to him yesterday he had told no-one. He still intended to keep it close but would mention it to the Chancellor when he saw him this evening.

It is perhaps worth registering that this, at least so far, seems a good example of how Treasury/Bank relationships should work in support operations. For my part I did not ask him for permission but nor did I wait until the operation was sealed (or, worse, it broke in the newspapers). For his part he did not ask "accounting officer" questions about how far we had got with our decision-making or what we thought our potential loss was etc etc.

Cwm

27 September 1984