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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 October 1986

NATIONAL SAVINGS PACKAGE

The Prime Minister has noted the proposed changes in National Savings interest rates described in your letter to me of 28 October.

David Norgrove

Mrs. Cathy Ryding,
H.M. Treasury

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ECL



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

28 October 1986

David Norgrove Esq
10 Downing Street
LONDON
SW1

Prime Minister 2

Dear David,

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28/10

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NATIONAL SAVINGS PACKAGE

The response of the building societies to the increase in base rates now seems to be becoming fairly well established. Most of the major societies have already increased or have announced their intention of increasing, the rates paid on their premium accounts by $\frac{3}{4}$ per cent

The Chancellor therefore now proposes to bring National Savings into line. An announcement will be made tomorrow that the rate payable on the main National Savings instruments on which interest is paid gross will be increased by 1 per cent (which is broadly equivalent to the $\frac{3}{4}$ per cent increase in building society rates net of composite rate tax). A new National Savings Certificate will also be announced, paying a (tax free) rate of 8.75 per cent. Equivalent adjustments are being made for the related yearly plan and in the general extension rate payable on matured certificates of earlier vintages which have not yet been cashed in.

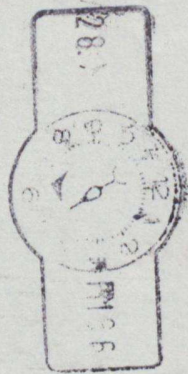
There is no reason to think that this package is likely in any way to be controversial. It is a consequential of the base rate rise, necessary to keep funding on course.

Yours,

Cathy

CATHY RYDING
Assistant Private Secretary

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