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10 DOWNING STREET

THE PRIME MINISTER

13 July 1981

Dear Tony,

Thank you for your letter of 24 June about the Standard Chartered Bank's offer to acquire the Royal Bank of Scotland Group.

As you say, the matter is currently before the Monopolies and Mergers Commission for investigation. As with any merger reference, that does not mean that there is any presumption that either or both bids for the Royal Bank is against the public interest, but rather that John Biffen considered that a reference was necessary in order to ascertain where the public interest lies.

In your letter you refer to discussions which Sir Michael Herries had with George Younger before the Standard Chartered bid was announced - and, of course, before the mounting of the rival bid which further complicated what is a very important issue both in UK and in Scottish terms. At these meetings and at his subsequent meeting with you, I gather that George Younger expressed his concern about the implications for Scotland of the loss of the Royal Bank's independence; but he made it clear that the matter of an agreed merger was at that stage primarily one for the Board of the Royal Bank Group. Once the Commission has reported its

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findings on both bids the Government will be able to take a collective view of them. Meantime I confirm that the Scottish Office, in common with other interested Departments, is submitting evidence to the Commission; and this evidence naturally sets out some of the considerations to be borne in mind in assessing the implications of the bids for the public interest in Scotland.

*Y  
Lowe  
Ragout*

The Rt. Hon. Lord Barber, T.D.