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cc Alan Ridley.  
Press  
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## Conservative and Unionist Central Office

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THE BARONESS YOUNG

18th February, 1980

*Mr. Alan Ridley*

I have been raising the matter of the Clearing Banks' results - the first of which is due this Friday - and which I discussed with you this morning, with the Party Chairman. I hope he raised it with the Prime Minister this afternoon. The attached note which Sir Harry Boyne has been kind enough to do for me is a further extension of the possibilities.

Whether you think it appropriate to draw to the Prime Minister's attention or send it onto No 11 I would naturally leave to you.

*Mr. Ryder*

*Gordon Reece*

Gordon Reece

Richard Ryder, Esq.,

18th February 1980

#### BANKS FLUSH WITH MONEY

Banks are in essence moneylenders, and since Biblical times the usurer has never been popular. So it is scarcely surprising if public resentment is aroused by announcements of the huge profits the clearing banks are making when times are hard for manufacturing industry and the community in general.

It could be argued that those windfall profits, arising to a large extent out of Government measures to curb inflation, should be subject to some form of Government levy or forced loan. But money is a timid creature, ready to fly elsewhere at any hint of danger.

Like other private enterprises, the banks are the property of their shareholders. Confiscate part of their legitimate profits and shareholders, or for that matter depositors, would be liable to transfer their investment to some other enterprise - possibly a foreign bank not subject to the British Government's control.

A precedent exists, however, for a special tax to meet an exceptionally profitable situation. This is the Petroleum Revenue Tax introduced by the Labour Government to cream off the profits of companies engaged in the lucrative business of North Sea Oil. It has recently been increased from 45% to 60%. Moreover, it is imposed on the oil companies in addition to the Corporation Tax which they, in common with all other companies, have to pay.

It can hardly be denied that the exceptionally large current profits of the clearing banks are to a large extent due to a temporary situation which is fortuitous so far as the banks themselves are concerned. There is perhaps a case for relieving them of abnormal gains for which they can claim no particular credit.