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CONSUMER CREDIT

You will have seen a copy of Mr Bridgeman's submission of 13 December, and Mr Littler's covering note of 14 December. I think you will agree that these papers make most interesting reading.

So far as the "traditional" consumer credit package is concerned - something along the lines of Annex A of Mr Williams' paper - I agree with Mr Bridgeman that the objective case against is overwhelming. All the same, I agree with Mr Middleton (paragraph 14 of Mr Bridgeman's minute) that there are circumstances in which the presentational benefit in pursuing this course could be decisive. Such circumstances would undoubtedly occur if events were to require any further increase in MLR. Contingency plans for the introduction of such a package should thus be made, even though it is to be hoped that the circumstances needed to activate them will not arise.

I am not worried by the fact that - particularly in the case of HP control - the effect of such a package would be short-lived. It would be introduced specifically as a short-term measure: a "credit pause", as it were. This would itself tend to make it more effective, by increasing the willingness to comply and reducing the incentive to develop means for by-passing the controls.

The novel notion of a consumer credit tax should certainly be further explored, both in the context of the current review of the effects of tax on bank lending and - in Mr Littler's words - as a potential long-term instrument of value. It might even, at a stretch, be of some presentational significance in the context of an explosion in bank profits.

Finally, I agree with Mr Bridgeman that there is no need for further work to be done on any controls on consumer credit which would require new primary legislation - paragraph 22(ii) refers. I also agree with the thrust of paragraph 22 (iii) - although for the reasons set out in paragraphs 2 to 4 above, we should be careful never to rule out a consumer credit package of one kind or another.

NIGEL LAWSON

18 December 1979