

*Sony!**2/12*

CHANCELLOR

CC Chief Secretary  
 Mr Ryrie  
 Mr Burns  
 Mr Middleton  
 Mr H P Evans  
 Mr Monck  
 Mr Unwin  
 Mr Britton  
 Mrs Lomax  
 Mr Riley  
 Mr S Davies  
~~Mr Shields~~  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona

## BANK LENDING

You have already seen a copy of Mr Middleton's minute to me of 26 November, covering notes from Mr Britton and Mr Shields.

The most important fact to emerge is that, throughout the year, and contrary to the impression we have been given by the Bank, bank lending to persons has been considerably more buoyant than lending to industrial and commercial companies, and that this disparity is growing now that the recession has started to produce a perceptible slowing down in the rate of growth of company borrowing.

The conclusion I draw from this is that, should any further financial tightening be required, whether fiscal or monetary, this should certainly be accompanied by a consumer credit package. Indeed, had these figures and this analysis (for which we are indebted to Mr Shields) been available before Monday, I would have recommended reconsideration of a consumer credit package in the context of your November announcement. As it is, I think we must seriously consider such a package in the context of the Budget - or even before, should a rise in MLR appear indicated.

NIGEL LAWSON  
 1 December 1980



MR INGHAM

cc Mr Riley  
Mr Shields  
~~Mrs Duffy~~

CORRESPONDENCE ON CONSUMER CREDIT

I understand you wanted further information about the line to be taken in correspondence on the subject of consumer credit, following Mr Westwater's minute of 2 December to Mr Shields.

The Financial Secretary's concern arose from a draft submitted for him to send to Peter Blaker MP: I attach a copy for ease of reference. His points arise directly from the "discovery" that a larger proportion of the rise in bank lending in the first three quarters of this year was due to lending to persons than we originally thought. You will no doubt have seen the Financial Secretary's minute to the Chancellor of 1 December, entitled "bank lending", and conveying his reactions to this. Given these, he thinks our line in correspondence should be to avoid outright rejection of the case for consumer credit controls, relying instead on something rather more conditional. He thinks, also, that we should drop the point about the high interest rates charged for consumer credit and credit cards, since they do not seem to have had much effect.

SAL

S A J LOCKE  
5 December 1980