

A

MR. SCHOLAR

FUTURE OF THE TRUSTEE SAVINGS BANK GROUP
TREASURY LETTER OF 9 FEBRUARY 1983

The Trustee Savings Banks are strange animals. They are mutual societies, but they do not formally have shareholders. (In that respect they differ from building societies.) If they are sold, therefore, there are no ready-made owners who can be given the proceeds of the sale.

The rather archaic legal provisions, dating originally from 1820, have some vague reference to "the produce" of the banking operation. And legal opinion suggests that the interest-bearing depositors have at least some sort of presumptive right to this "produce". Thus it is thought that they therefore have some right to the proceeds of the sale.

But negotiations with the Chairmen of the Regional TSBs suggest that the whole of the proceeds should not go to the interest-bearing depositors, and some of it should go to a charitable foundation. Again, this is thought to be consistent with the original purposes of the TSB.

However, I am not happy with the arrangement suggested in the letter. The distribution of 1% on interest-bearing deposits for the "produce" and the \$50million for a charity, seems to me quite arbitrarily cooked up between the Ministers and the TSB Chairmen. There are a large number of other distributions which would satisfy the legal requirements. Why is this one "reasonable"? Should it not be put to the vote by the interest-bearing depositors who are the quasi-shareholders of these institutions?

Impartial?

In order to avoid the presumption that these proceeds from the sale are being carved up by arbitrary decisions of Ministers and TSB Chairmen, I would have thought it would be at least worthwhile to consider consulting the interest-bearing depositors. I agree there are many problems here and it is obviously market sensitive. But I think we ought to avoid the possibility of being arbitrary or perhaps politically motivated. We perhaps ought to ensure that we are whiter than white.

AW

10 February 1983

ALAN WALTERS