

cc MR. LANKESTER
MR. HOSKYNES
MR. WOLFSON

7



10 DOWNING STREET

Eun Pd.

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WJW

CHANCELLOR OF THE EXCHEQUER

During a lunch with Union Discount yesterday, two points arose.

First, Union said that they had already started adapting to the prospective MBC and that they could adjust quickly to the new environment. They are switching rapidly from their traditional deposit business to dealers and agents for commercial and public paper. Union is now much more than a discount house and could readily prosper under MBC.

Secondly, the directors emphasised that the market was looking for a much lower PSBR than appeared to be coming out of 1980/81. A "really satisfactory" figure, consistent with "appropriately" falling interest rates, would be about £7 Bn.

25 February 1981