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cc Press Office VC

10 DOWNING STREET

THE PRIME MINISTER

2 August 1985

Confidential

Dear Dr. Owen.

Thank you for your letter of 1 August. I have seen the Governor's reply of 2 August and in view of that I see no grounds for setting up a public Tribunal of Inquiry.

Yours sincerely
Margaret Thatcher

The Rt. Hon. Dr. David Owen, MP.

Sent c/o 33 St Peter's Grove, Hammersmith, W6.

cc 2 Warren Cottages, Wembury, Plymouth,
S Devon.

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The Governor

Bank of England
London EC2R 8AH

2 August 1985

The Rt Hon Dr David Owen MP
House of Commons
London
SW1A 0AA

Dear Dr. Owen,

You sent to me a copy of your letter of 1 August to the Prime Minister in which you suggest that I should establish a public Tribunal of Inquiry into the affairs of Johnson Matthey Bankers and Johnson Matthey plc. It is not a matter for me to establish an inquiry of this sort but I have been asked by the Prime Minister to reply on the substance of the points you make.

You suggest from information in your possession that the statements which I made in my letter to you of 21 December last year are unfounded. I reject this entirely. Overall the bullion business of the JMB group traded at a profit before the date of JMB's acquisition by the Bank of England and has continued to do so.

You refer first to your knowledge that two senior employees of Johnson Matthey Commodities Inc, JMB's bullion dealing subsidiary in New York, have been removed from their posts. I confirm that both individuals were recently required to resign in order that new management could take over. The New York company traded profitably until early this year but subsequently has not achieved satisfactory results. In these circumstances, the Board of JMB thought it appropriate to change the management. No misconduct lies behind the reason for their departure.

You say you were informed that JMB was in the habit of depositing large quantities of metals with JM plc and that these metal deposits have not been properly secured. While metal facilities from JMB to JM plc have existed in the past and still continue, by far the larger

part of the metal connection between the two companies reflects an arrangement under which JMB make use of JM plc's refineries to produce small gold bars which are successfully marketed worldwide. This is an important trading relationship between the two companies, from which it is obviously not possible to eliminate commercial risk, but which confers on JMB the unique advantage of being able to market small gold bars bearing the JM assay mark. The arrangements between the two companies are designed to ensure, as far as possible, that the property in this gold remains with JMB; and both companies' accounts show no debtor/creditor position in respect of this industrial process.

You refer to the possible consequences of a liquidation of JM plc. In such a contingency, there must be some risk, but recent figures released by JM plc have publicly revealed that that company is considerably stronger than when the banking facility was arranged last Autumn. This is illustrated by the fact that this stand-by facility of £250 mn has been used to a very limited extent and for short periods in the past and has not been drawn on at all in recent months.

I am taking this opportunity to be as helpful with my response as I can but I feel bound to advise that the publication of your allegations could only harm confidence in JMB. You share with me the main objective of returning JMB to the private sector as soon as possible and on the best possible terms; I hope you will not take steps which might prejudice this final objective.

Yours sincerely,
R. Heath - Pemberton

