

NEWS

WAS THERE EVER AN OLD LADY WHO TOLD SUCH WHOPPERS?

THE GOVERNOR of the Bank of England, Robin Leigh-Pemberton, has now been ultimately responsible for so many errors of judgment, misleading statements, and acts of public and private disinformation or noninformation over the debacle of the merchant bank Johnson Matthey (JMB) that his resignation ought hardly to be in doubt. But with the exception of one perspicacious Labour MP, Tony Blair (Sedgefield), no one has yet looked closely enough at the Bank's whoppers, reports DUNCAN CAMPBELL

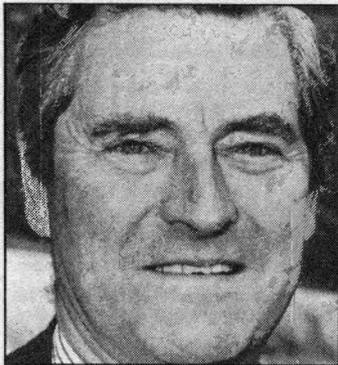
HERE is how the Bank of England has given away at least £100 million to help keep a lame duck merchant bank above the water.

25 Sept 1984. The Bank of England is informed that JMB is insolvent, since it has insufficient capital to cover losses on hundreds of millions of pounds worth of bad loans. But the Bank's banking supervision division should have spotted and stopped JMB's errors of judgment, many months before.

1 Oct 1984. The Bank takes over JMB (nationalises it) at a nominal cost of £1 — acquiring all its (then uncalculated) losses. The Bank tells *The Times* (1 October 1984) that 'there will be no cost to taxpayers and the Bank will not have to put any money into JMB'.

22 Nov 1984. The Bank of England secretly puts £100 million of public money into JMB's account. The Treasury and the Chancellor are not officially informed of this banking matter.

23 Nov 1984. The Prime Minister is questioned about the Bank's announcement that it will pay half the cost of a £150 million loss-sharing arrangement agreed between City institutions. She tells parliament that



City Syndication

The Guv'nor — promise to pay the bearer. . . ?

'any losses which the Bank of England may incur. . . will be met. . . from the resources of the banking department of the Bank of England'.

17 Dec 1984. Chancellor of the Exchequer Nigel Lawson makes a statement to the House of Commons about the JMB rescue, and announces an inquiry. He claims that 'I have given no money and no taxpayers' money is involved in this'.

17 Dec 1984. Later that day, in response to *NS* questions, the Bank of England's chief press officer admits, after first categorically denying the claim, that £100 million had indeed been given to JMB on 22 November.

He claims that the money is a 'deposit' — technically, a short term loan only.

19 Apr 1985. In response to further enquiries, a Bank of England spokesperson describes the deposit to *NS* as a 'facility' — technically, a loan of indefinite duration.

29 Apr 1985. Tony Blair submits parliamentary questions about the Bank of England's supervision of JMB. The Treasury drafts replies admitting 'departures from normal prudent banking practice' (by JMB), which are sent to Blair at the House of Commons.

3 May 1985. Treasury officials remove these written answers from Blair's House of Commons pigeonhole, and the *Hansard* office, substituting wholly uninformative answers instead. But a journalist has already read the answers, so Blair finds out about the last minute cover-up.

7 May 1985. Blair suspects that the £100 million is finally about to vanish, and submits further written questions asking Nigel Lawson whether the money would be converted into capital — technically, become a permanent and irredeemable public 'investment' in JMB.

13 May 1985. The Bank of England and the Treasury evade giving a direct answer to Blair once again, by making a press statement the day before his answer is due — giving their selective version of the debacle instead. But the press statement admits that Blair was right — the erstwhile temporary £100 million 'loan' is to become capital, very permanent indeed. Not only that, but