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Interview Summary Sheet

Title Page

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Interviewee's surname: Fildes

Title: Mr

Interviewee's forenames: Christopher

Sex: M

Occupation: Journalist

Date of birth:

Mother's occupation:

Father's occupation:

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Session one 27.05.15 [00:40:26]	
Education; early career as a journalist; City Editor, <i>Evening News</i>	#00:02:46#
Run-up and seeds of crisis of Nov/Dec 1973	#00:04:41#
Competition and Credit Control and the role of the Bank of England	#00:07:11#
Bank of England and Exchange Control	#00:07:53#
Operations of the Bank of England Discount Office; George Blunden; Jim Keogh	#00:11:34#
Bank of England and banking supervision	#00:12:54#
S123, secondary banks	#00:13:47#
Discount Office and the markets	#00:14:19#
Scottish Co-operative Wholesale Society (Scottish Co-op)	#00:15:46#
London & County Securities, November 1973	#00:17:32#
Cedar Holdings meeting, 19/20 December 1973	#00:19:45#
Lifeboat launched	#00:20:31#
Bank of England Press Office	#00:27:09#
Secrecy of the Lifeboat operation	#00:29:10#
Burmah Oil crisis, December 1974	#00:29:57#
Comparison between crises of 1973/75 and 2007/09	#00:31:58#
City of Glasgow Bank (1878); Overend & Gurney (1866)	#00:33:39#
National Westminster forced to make an announcement, December 1974	#00:34:29#

Slater Walker Securities [October 1975]	#00:35:03#
Johnson Matthey Bankers	#00:35:39#
Banking legislation [Banking Act 1979]	#00:37:45#
Margaret Reid	#00:38:16#
How the 'Lifeboat' got its name	#00:39:12#
Gordon Richardson, the Nationalised Industries Committee meeting, 13 January 1978; danger of contagion	#00:40:26#

Interview with: Christopher Fildes

Date: 27th May 2015

Interviewer: John Thirlwell (Q) and Gerald Ashley (Q2)

[0'00": Introduction and background information and career about Christopher Fildes up to 1973]

A: Good.

Q: Here we go.

A: Right.

Q: 27th of May 2015. Interview with Christopher Fildes, spelt F I L D E S.

A: Yes.

Q: By John Thirlwell, T H I R L W E L L. And Gerald Ashley, A S H L E Y. At the British Bankers' Association, Pinners Hall, Old Broad Street. Christopher, a little bit of background, probably off piste, where were you born?

A: Knutsford, Cheshire.

Q: Ah. And where were you educated?

A: Clifton and Balliol.

Q: And after Balliol, after Oxford, you started work, when was that?

A: Yeah, that's right. It was I suppose 1958, a short spell in the family business, which was textiles. And then when, fortunately, somebody bought it I had to think of something else to do, and had the great good luck to be taken on by *The Times*, which was something I'd always wanted. That was in '63 or four.

Q: So you had always had an idea of being a journalist?

A: Yes I thought it was what I would do best.

Q: And so it's proved.

A: Well I was very lucky to have the break.

Q: So then from *The Times*, how long were you at *The Times*?

A: I was at *The Times* for three years. I was then recruited by Nigel Lawson to write a column on *The Spectator*.

Q: Ah.

A: And that was formative. And so too was what I did next, which was being recruited over a bottle of champagne by Patrick Sergeant to write for the *Daily Mail*. Patrick's a great influence.

Q: Really?

A: Yeah.

Q: So the *Daily Mail*?

A: Yes.

Q: For some time.

A: On and off--, and an off you must allow for a spell when I was City Editor of the *Evening News*, which was its sister paper. But really until the early '80s.

Q: So at the point that we're particularly talking--,

A: Yeah, yeah.

Q: Which was the end of '73--,

A: Yes.

Q: The beginning of '74.

A: Yes.

Q: What were you then?

A: I think, though I'm not quite sure of my dates, I think by then I had moved to the *Evening News* as City Editor.

Q: So not quite sure how long you might have been there, but probably--,

A: Oh, I think that's right.

Q: Yes.

A: It could be verified, but I don't think it matters.

Q: No, but er, well it's useful to know.

A: The other end of the same office.

Q: [Laughter]. Yes that seems reasonable.

A: Yes.

[2'46": Run-up and seeds of the crisis of November/December 1973]

Q: Right. And so we come to the crisis of November/December '73.

A: Yes.

Q: And I think before we get to that point perhaps you could talk about the run-up to the crisis, the seeds of the crisis as you saw them.

A: Yes. Well there is a certain amount of hindsight in all of this, but it began, in my view, with the persistent attempts in the 1960s to insert control over the lending of the banks proper. Money was rationed by degree rather than by price, and more and more tightly. And naturally borrowers looked around for some other way to borrow. And owing to what you might call a judicial fluke the judgement about whether UDT, United Dominions Trust was a licensed money lender or not, it became possible for any reasonable business, and some unreasonable ones, to obtain a licence to carry on this sort of business from the Department of Trade¹. And it wasn't at all difficult to get it. I imagine you just nipped round and picked one up. And at the time we're talking about there must have been, I imagine, 100 of them, maybe more. Varying a lot in quality. And they of course had no difficulty in raising money, they weren't subject to governmental controls, requests, and all the rest of it. And they were a natural place to go to, particularly if you wanted property finance because as we all know property is very much financed by borrowing money, and it's always, a switch back. At that point the switch back was beginning to rise. What then happened was, as you say, the

[4'41": Competition and Credit Control and the role of the Bank of England]

introduction initiated by John Fforde² at the Bank of England, of Competition and Credit Control³, which was an attempt to move over to rationing money by price. And what I do remember is that this caused a lot of complaints from people whose habits were shaken up, and John Fforde saying to me, "Yes we believe in markets here, it sometimes surprises us that people in markets don't."

Q: [Laughs]. So you're saying that Competition and Credit Control was prompted from within the Bank?

A: I'm saying it was prompted from within the Bank. I mean there were the seeds of a monetarist argument were being sown in think tanks and places like that, but there's no doubt in my mind that it was a Bank initiative, and taken from the Bank to the Treasury.

Q: Ah yes.

A: And what I think had not been foreseen was that it would coincide with a, er, with what we now think of as the Barber boom, the U-turn of the Heath Government, a determination to have a dash for growth so that it made money extremely easy at a time when, er, it allowed, as it were, the previously restricted banks to join in, and they did. There was no holding them indeed. So this I think was how. Those I think were the seeds of the crisis. A freedom, once again to deal in money by price, raise it by price, lend it by price. Available for the first time for, oh decades I suppose, to the clearing banks at the same time when the, what we now think of as secondary banks, were hard at it and particularly lending to wealthy borrowers who were thirstiest that is to say in the property business. And if this is the right point to come on to it, it must be remembered that at that time there were no Banking Acts at all. Nobody had

[7'11": Exchange Control]

the power to supervise banks. The Bank of England had powers under the Exchange Control rules to give permission for Exchange Control, but, otherwise it operated on what it called the ladder of recognition, you became a more respectable bank as you moved up the ladder. But there was no legal backing behind any of this except on the point of Exchange Control, and the other point of being licensed as a money lender. Well being licensed to conduct a banking business. They'd bought a trade licence. There is no evidence in my mind that the Board of Trade ever took the slightest interest in what these people were doing. At the Bank of

[7'53": Operations of the Bank of England Discount Office]

England, this is worth remembering I think, the Bank had its famous Discount Office, which was proverbially its window on the world. It had a very small, pretty shrewd staff whose business it was to know their way round the banking and financial system and the people. It acted partly as an employment agency, [laughs], putting the right person in the right job. And if I can give you one example of that operation in action, I'd only just I think started in financial journalism. *The Times* sent me to ask whether the Bank could tell me why some little bank that I'd never heard of had suddenly turned its toes up. At the time I found myself talking to the great George Blunden⁴. George said without looking up from his desk, "We do not for the moment recall which of the partners in this venture was most recently imprisoned in Germany, and which in Tangier." [Laughter]. Well that is what I might call seriously good information. But of course it's easier to operate in a, er, first of all in a club-like City, and secondly, in a City which hadn't suddenly begun to develop, rather around which a number of quasi banks hadn't started to build themselves up. And there seemed, I think this is hindsight, but there seemed to be two views in the Bank of England itself about these people. One, and I heard Jasper Hollom say this, "Well they just aren't banks." One which was held by Jim Keogh, and I want to come on to him, he was the Principal of the Discount Office. One, which was held by Jim Keogh, was that if they were quacking like ducks and walking like ducks, they ought possibly to be observed as if they were ducks. And he made it his business to get close to some of the rather, piratical is too strong a word.

Q: Yes.

A: But some of the people at the top of these banks who wouldn't have been regarded as the best company by the snootier merchant banks.

Q: Yes.

A: And indeed I believe that the merchant banks made one attempt to persuade the then Governor to move Keogh. And it wasn't a coincidence that the incoming Governor had come from Schrodgers.

Q: And the incoming Governor was?

A: Gordon Richardson⁵.

Q: Gordon Richardson.

A: Gordon Richardson.

Q: And if I could just interrupt?

A: Yes.

Q: We should make the point that George Blunden was a director of the Bank--,

A: At a later point.

Q: Ah. At this point--,

A: At the point I was describing it he was the number two in the Discount Office.

Q2: Ah, thank you very much.

A: This is very early.

Q: And Jim Keogh, as you said, was the Principal of the--,

A: Jim Keogh became the Principle of the Discount Office.

Q: Right.

A: Yes, yes.

Q: I'm sorry to.

A: Yes. No, it's important to get that otherwise I shall get the chronology wrong. But I wanted to illustrate how that Office worked at its peak, so to speak.

Q: Was there a concept in your mind of actual banking supervision within the Bank?

[11'34": Bank of England and banking supervision]

A: No I don't think there was. And indeed no division of supervision had ever been set up. And the Discount Office itself was very small. What it expected to be was extremely well informed, and operating in particular with the, what was then the inner circle of merchant banks and discount houses whose goodwill depended really on their standing with that Office. Supervision no; understanding very clearly what was going on, and what was good and bad practice, yes.

Q: So you--,

A: But there was never a supervisory office.

Q: No.

A: Until the crisis had set in and the Discount Office was done away with, and a new department was set up, and so on.

Q: The only--, I was thinking to myself about--, we talk about the Governor's eyebrows and all of that sort of thing--,

A: Yes.

Q: And all of that--,

A: Yes.

Q: Sort of thing. Would that have been operating at that time?

A: Very much so.

Q: Ah.

A: Very much so. And we had certainly in Richardson a Governor who was imperious by nature and whose eyebrows were formidable.

[12'54": S123, secondary banks]

Q: [Laughs]. So the seeds of the crisis, I think they were called the secondary banks.

A: The secondary banks, call them that.

Q: The Section 123.⁶

A: Yeah, yeah, yeah.

Q: Secondary banks licensed by the Department of Trade.

A: Yeah, yeah.

Q: But really the Department of Trade just let them get on with whatever they wanted.

A: Yes, yes.

Q: Competition and Credit Control, a prime mover having been John Fforde at the Bank of England.

A: Yes, yes.

Q: The Bank itself at the time, certainly through the Discount Office keeping itself informed.

A: Yes.

Q: A sort of intelligence gathering operation.

A: Yes. Had always done that. Yes.

Q: Gerald is there anything, we're talking about the run-up to the crisis?

[13'47": Discount Office and the markets]

Q2: Yes, I just wonder, as you say, with the Discount Office being close to the markets as well as the discount houses and the accepting houses, I guess amongst the merchant banks. Was there any sign of credit concerns for some of these names who had presumably raised their money for their loan books in the wholesale markets? Did you sense that the discount market and the money markets got an early sniff of trouble and started asking for greater margins on their money?

[14'19": Scottish Co-op⁷]

A: I don't remember this. I don't say it didn't happen. Though it's worth saying in passing that there was a run-up to the crisis called SCOOP, the Scottish Co-op.

Q: Oh yes.

Q2: Yes.

A: And that had to be picked up and tidied away in something of a hurry.

Q: Yes that's quite right.

A: And that perhaps gave people a shock.

Q: Were you writing about these sort of events, whether it was SCOOP or other things? Were you writing about--,

A: Yes, I'd--,

Q: An impending crisis?

A: I don't think I was writing about an impending crisis, to say that a crisis was impending. I'm sure I wasn't. I was--, when it broke it broke very quickly as you'll remember. Interest rates shot up by four percent and again by two percent. The Chancellor⁸ brought in an emergency Budget of a far more restrictive nature. These things happened very quickly, as I think is always the case of a banking crisis.

Q: So maybe moving to the point of the crisis and the creation of the lifeboat itself.

A: Yeah.

Q: The Lifeboat Committee.⁹

A: Yes.

Q: When were you aware of, well A, the crisis, and B, the Bank of England's efforts?

[15'46": London and County Securities Group Limited, November 1973]

A: The thing I do remember noticing, and it was important because it was the brick that fell out of the wall, was the resignation of Donald Bardsey.

Q: Ah.

A: From the board of London and County.

Q: Yes.

A: He had, obviously, been put in, and I imagine he'd been put in by Jim Keogh, to try to keep this outfit respectable and solvent, or one or the other at least. [Laughter]. And it's clear that he was--,

Q2: [unclear] exclusive.

- A: Yes. He was reporting back to Jim, and then one day up on the tape came the resignation and I thought that's it. I thought London and County is going.
- Q: So you thought, so London and County's going was for you--,
- A: I didn't say that it was--, I now realise that you could see the fuse being lit. But that was the first time I said to myself, er, here's a bank that's going to the wall, or a quasi bank that's going to the wall. And things moved very, very quickly after that. Keogh went to Pat Matthews, who ran First National Finance, which was a large and apparently successful secondary bank, and invited him to pick London and County up, take it over and sort it out. That was a very good thing for Pat Matthews to have done because when his own business got into trouble not very long afterwards, it was clear that the bank owed him a considerable favour, and that favour I think it's fair to say was paid.
- Q: That's a very good point. So London and County fell.
- A: Yeah.
- Q: Or was--,
- A: Yeah.
- Q: Yes.
- A: Yes.
- Q: Picked up by Pat Matthews in a way.
- [17'32": Cedar Holdings meeting, 19/20 December 1973]
- A: Yes, yes, yes. The next obvious headline hitting one was Cedar. And it was Cedar that brought about the famous meeting at the Bank of England in December, I think 1973, which went on into the small hours with the board of Cedar. And if I might say so, nice Jewish boys locked up in the basement at the Bank of England and given ham sandwiches.
- Q: [Laughs]. Yes indeed. Yes.
- A: And I know a bit about that meeting, mostly from reading it up. But for instance, Brian Pitman was present at the meeting because he'd been sent along for Lloyds Bank. And Brian told me of how Gordon Richardson as Governor put the fear of God into the clearers. He said, and this has never been printed, "Gentlemen, I am not appealing to altruism."
- Q: Ah.
- A: Just imagine that shudder down your spine.
- Q: Yes.
- A: Yeah.
- Q: And was that the meeting that Tim Bevan came out of?
- A: Yeah.

Q: Who was presumably then chairman of--,

A: Tim was there, yes.

Q: And said, "My father and my grandfather have been bankers, but we've never done banking at 2am in the morning."

[19'00"]

A: I didn't know he said that, but I like it. But also coming out of that meeting at that sort of time was Kenneth Cork, you will remember was the great, the leading liquidator and receiver of his day. And he and Keogh again left the Bank by the side door at two in the morning, and Keogh said, "For God's sake Kenneth, turn your coat collar up, people will get the wrong idea about this place."

Q: [Laughs].

A: Now it would be a pity if that doesn't go down.

Q: I think that will, yes. So we've had London and County, and then you're absolutely right, Cedar Holdings, I think the meeting was on the 19th of December--,

A: Yes. And went on.

Q: 1973.

A: Yes.

[19'45": Lifeboat launched]

Q: And indeed a few days before the Lifeboat Committee itself was formed. But at what point were you aware that a sort of major lifeboat if you like, had been launched? When did you become aware?

A: I can't put a finger on it. There was a point not very long afterwards, and this is a story of a sort. When I was running the City pages of the *Evening [News]* and, having been round to see the Discount Office wrote a story with the headline, 'Fifty fringe banks at risk'.

Q: Woo.

[20'31": Bank of England Press Office]

A: Now when I wrote this I can't put a date on it, it wasn't very long. But what is worth remembering was that I got a telephone call at lunchtime from the Bank of England's Press Office, which was very well run. "Christopher," said George Horn, "Christopher, we've seen your early edition. We don't disagree with what you say, but do you think that in later editions that headline might be toned down a bit?"

Q: [Laughs].

A: And so I did so. But that was what really showed me, my God this is serious.

Q: So yes that somebody, so good journalism, 'Fifty bank' headline, and then er--,

A: Yes.

Q: The Bank--,

A: Oh yes, the Bank dislikes that or finds it worrisome sufficiently to try to get it knocked off then there must be trouble. I think that was when it really registered.

Q: Gerald?

Q2: Yeah I'd like to ask a question here, really centred round the Bank of England.

A: Yeah.

Q2: Was Mr Keogh the prime mover in getting this Lifeboat sorted out? Or did it come from on high? What sense did you get of?

A: It came from far higher up.

Q2: Right.

A: It was organised by the Deputy Governor, by Jasper Hollom.

Q2: Yes.

A: Who certainly ran the mechanism very smoothly and was admired for that. I always thought that he was a bit--, well he was rather a stuffy man. In the --, there were some sharp exchanges between him and other participants at the Lifeboat meeting, when he tried to tell Cob Stenham the Finance Director of Unilever, what to do.

Q: [Laughs].

[22'23": Supervision of secondary banks by the Department of Trade and Industry]

A: But that I think you'll find that's in Margaret's book.¹⁰ I do remember, as I say, him being interviewed, a very unusual thing to happen then, on television, and saying about these things, and saying, "But they weren't banks."

Q2: And this was the sort of gap between what was seen as the regulated banking sector, with the clearers and accepting houses, and all the rest of it. And then these other institutions that were sort of nominally with a licence--,

A: Yes.

Q2: From the DTI, but just did their own thing.

A: Yes. When you say regulated that is not really the word.

Q2: Right.

A: When they were listed in one form or another and had various degrees of standing. But the only thing they were allowed to do or not to do was foreign exchange.

Q2: I recall the concept of eligibility, there were eligible banks and ineligible banks for discounting their paper back at the Bank of England.

A: Oh yes, but that was a, that was a, a mark of credit and it goes back a very long way. One ineligible bank, as you may remember, had been Barclays Dominion Colonial and Overseas because Montagu Norman had been very cross with Barclays for starting it.

Q: [Laughs]. And so became ineligible?

A: It was ineligible, yes.

Q2: John, back to you.

[23'47": The Press and the Bank of England]

Q: I'm interested about contact with the Bank of England.

A: Yeah.

Q: As a journalist--,

A: Yes, yes.

Q: I'm fascinated, if you like, dare I say your sources?

A: Yes certainly. I talked a lot to the Bank at that time. I talked through the Press Office. I talked very much to the Discount Office because I'd really from my earliest days as a journalist had been going in and out of the Discount Office. I, so I knew Keogh, I knew George Blunden, I knew Rodney Galpin. There were not very many of them, but they were very, very good people.

Q: Rodney Galpin who then became--,

A: Rodney Galpin who became a director-,

Q: Chairman of Standard Chartered. Yes.

A: When supervision had become more formal and Rodney was in charge of it, having seen what had been going on in Standard Chartered, and seen the vacancy for a Chairman, thought that he could do as much about it as anybody.

Q: [Laughs].

A: And took it on. He was very good.

Q: Yes he was.

A: Yeah. And --,

Q: You--,

[24'58": Discount Office and Jim Keogh]

A: But as I say, there were never very many of them. I'd be very surprised if the entire office, secretaries and all got into double figures. But as soon as they got formalised supervision, which I think was in, er, Summer of '74/5, I forget, they got up to 60 in no time at all.

Q: Yes.

- A: And at that time Richardson got rid of Keogh, who I thought was very badly treated.
- Q: I was going to, actually I was going to ask you about Keogh because you did say a little bit earlier on you wanted to say a bit about him.
- A: I do feel that, he--, there's nothing in I've ever read in any of the analysis of this which finds any fault with what he actually did. But he made himself unpopular with the top brass of the bank, and also he used to drink a bit, but if you wouldn't mind leaving that out. [Laughter]. But if you're going around and trying to find out what's going on you must do some.
- Q: Yes. Well--,
- A: Yeah, yes.
- Q: It's all part of the, er, part of the networking.
- A: It is. But, he --, the Discount Office as such, and all this is a matter of record, was abolished and he was given a nominal job for a couple of months and then pushed through the door. And at this point all the people who said, "Oh Jim I would always look after you," disappeared.
- Q: Ah.
- Q2: You mentioned earlier that you felt that Jim Keogh didn't have a good relationship with some of the leading merchant banks. Was that also a problem in that situation do you think?
- A: It can't have helped, but, again I, I've never seen this printed, but I do believe that the, that ran the merchant banks, approached the Bank and said, "We don't like this chap."
- [27'09": Secrecy of the Lifeboat operation]
- Q: And there we are. One thing, I suppose this is again, and it leads on from this idea of being a journalist. We're conscious that this whole operation was conducted, certainly compared with today--,
- A: Yes.
- Q: In extraordinary secrecy. There was very few pieces in the press. Margaret Reid on the *FT* was writing a little bit about it. But how was it kept so secret? Or more interestingly, if people like you were aware why was there not more press coverage of it?
- A: I think the answer is that it was treated as a financial story and as a City story. And the running as we were saying, had always been made by the Bank of England. The Treasury, obviously, knew what was going on. I'm not sure how far the rest of the Wilson, Callaghan Government knew.
- Q: Yes I--,
- A: The Bank seemed to have it under control, and they had other things to worry about.
- Q: My, yes, my sense from reading some Treasury papers is that in fact the Treasury did not have an enormous amount of information, that the Bank kept it to themselves.

A: [Laughs].

Q: But I'm interested that people like you also, I don't know whether you had sort of informal contacts or were able to print something. I don't know whether the--,

A: Well I was a City Editor, I was writing the City page. Perhaps a more ambitious or enterprising City Editor would have tried to move it further forward to the paper.

Q: Mm.

Q2: There were plenty of other financial stories, I mean I'm thinking of the whole oil saga.

A: Oh yes.

Q: The oil shock, yes.

Q2: And the stock market, and the rest of it.
[29'10": Burmah Oil crisis¹¹]

A: And the Burmah affair. Yes that's also true. Yes. My goodness that was something.

Q: Which the?

A: Burmah.

Q: Oh Burmah. Oh yes, absolutely.

A: Yes.

Q: Yes.

A: Yeah.

Q: Yes, and of course as you said earlier, there was the Barber Budget, which was quite extraordinary in many ways. The corset and HP controls, and Development [Land] Tax.¹²

A: Yes, yes.

Q: Which killed everything.

A: Yes.

Q: Do you--, and my understanding is that politicians seemed really not to be particularly either involved or indeed aware. I think you just said that.

A: I can't, I've no authority on that, but that's my impression that's all.
[29'57": Comparison between crises of 1973-75 and 2007-09]

Q: Yes. Do you think that it was a similar scale of crisis from the recent financial crisis? We're talking a fund of about a billion pounds in 1973/4.

A: Yes. Er, well it can't have been, though goodness knows what would have happened if it hadn't been contained.

Q: Mm.

A: But clearly the, a crisis in which the high street banks themselves are in desperate trouble and have to explain that they can't open their doors in the morning that never happened.

Q: But do you think it might have done if, as if to say there had been the kind of press coverage then as there was about the banking crisis of 2007/8/9?

A: I think the banking crisis of 2007/8/9, the thing to go--, first of all it was an international crisis in a way that this wasn't.

Q: Correct.

A: You had it over spilling into the nascent international financial markets. You had the Herstatt¹³ affair, and you had a move led again by Richardson and Blunden to get international agreement on crisis prevention and management. This seems to have been quite tidily and well done, and it perhaps is not really what we're talking about now.

Q: No.

A: I'd have said that once we've seen people queuing outside Northern Rock that was an absolute turning point, and from then on this was a story that certainly couldn't be contained
[31'58": City of Glasgow Bank, 1878]
within the pages so far. As I can see this hasn't happened since 1878.

Q: Overend and Gurney?

A: City of Glasgow Bank.

Q: Oh the City of Glasgow.

[32'10": Overend and Gurney, 1866]

Q2: Overend and Gurney is slightly earlier.

Q: It is.

A: It is. But, have I a moment for an Overend and Gurney story?

Q2: Oh yes, I think so.

A: Yes. Right, okay.

Q2: For the record.

A: Certainly for the record.

Q2: I know a little bit about it.

A: Certainly for the record. Okay this is at a Cambridge college, and the Fellows were of course all in those days in holy orders, met in a state of great gloom and fright, and summoned the Bursar. And said to him, now I suppose everything was so sore, "How is the College going to be affected by the failure of Messrs Overend and Gurney Limited?" "I'm pleased to tell you, Master, the College is not going to be affected." "But we understood that the College banked

and had all its deposits with Messrs Overend and Gurney Limited.” “That was so Master, but chancing to be in the office last week I called on the General Manager and found him reading the bible, so I at once withdrew our balances.” [Laughter].

Q: That's a very good story.

Q2: A great story. A great story. I suppose we've got to the stage now, I think we're probably running into '74 and into '75.

A: Yeah, yeah, yeah.

Q2: And did you get a sense now that this had got contained? And was it a story that even slipped down your agenda by then because, you know there were plenty of other financial stories?

[33'39": National Westminster, December 1974]

A: There were plenty. I suppose that after the Natwest affair --,

Q: Perhaps you could explain that Christopher?

A: Yes. What I mean is, after er, and this certainly was a matter of all public record, front page news and so on. After the National Westminster Bank, which had been the most aggressive of the clearing banks, had to explain or announce that it was entirely solvent.

Q: And that was I think in December--,

A: Yes, yes.

Q: 1974.

A: Yes. Looking back it, I thought if that can be contained most things can be contained.

Q: Yes.

[34'29": Slater Walker Securities]

A: And so it proved. And it lingered on, there was the business of Slater Walker in particular.

Q: Of course.

A: Which had been the, I suppose the star of the Barber boom years. And that was fairly late in hitting the buffers, and by that time the clearers had had about enough. I think the Bank of England had a very expensive time containing Slater Walker.

Q: Mm.

Q2: They had to explain to the Treasury as well.

A: I think so.

Q2: Wasn't there quite a rift between the Bank of England and the Treasury?

[35'03": Johnson Matthey Bankers¹⁴]

A: Well yes, yes. There always is a rift between the--, yeah, I mean you remember this got repeated a few years later with Johnson Matthey.

Q: Yes.

[35'39": Banking legislation]

A: But I've said this before, but if you won't mind my repeating. All this went on at a time when there was no legislative authority for controlling banks or quasi banks, other than that the archaic provisions such as the Money Lenders Act.

Q: Yes.

A: The Banking Act¹⁵, the first of a series of Banking Acts came as a consequence of this crisis. And it had just got itself passed into law by the time that the Callaghan Government lost power. I've lost count of the number of Banking Acts and Financial Services Acts that there have been since. It wouldn't I suppose, I'm sure have been possible to repeat the Lifeboat operation in the way--, in the changing financial markets, in particular the financial markets after the end of Exchange Control and Big Bang¹⁶. It was only possible in a City, which was at least, er, in part of its character, it was a series of concentric clubs. But even that isn't quite simple because after all, er, that club structure had been challenged quite a lot earlier by Sigmund Warburg¹⁷ and others.

Q2: Mm.

A: But if you go a few years forward to the, er, rescue of Johnson Matthey that was a much messier affair. The Treasury was very much involved. Nigel Lawson as Chancellor was furious to learn that the Bank of England had put quite a lot of money into Johnson Matthey's pocket without telling him.

Q: [Laughs].

A: And more legislation followed.

Q: Right.

A: The trouble, obviously, with a more legislation bound, more regulated bound structure is that it becomes more legalistic, and people ask themselves not what ought I to do, but what can I get away with?

Q: And of course that's where we are today in trying to--,

A: It is where we are today. Yes.

Q: Yes, trying to unscramble it all.

A: Yes.

Q: I actually think we've had a marvellous canter through. I just wonder whether there's any other little sort of--,

[37'45": Margaret Reid]

A: I want to tell you my Margaret Reid story.

Q: Oh. Yes.

A: She was a very good financial journalist indeed, and a very sweet person. And I don't now remember of whom this story is told, but it goes like this. "I always tell Margaret everything. I know I shouldn't, but I do. She reminds me so much of my nanny."

Q: [Laughs].

Q2: And nanny knows best.

[38'16": How the 'Lifeboat' got its name]

A: Nanny knows best. She did know, she was very well thought. In this book is the explanation of where the Lifeboat, er, the term Lifeboat came from. Do you have that?

Q: I--,

A: It's Len Mather.¹⁸

Q: Yes.

A: It's Len Mather, National Joint Stock Banks Lifeboat Institution, he called it.

Q: That's right.

A: Talking to Margaret and she made it a headline and it stuck.

Q: And I should for the record say that Margaret Reid, a *Financial Times* journalist, wrote *The Secondary Banking Crisis 1973 to '75*, which was published in 1982.

A: Yeah. And I would say it is a minor classic.

Q: Thank you Christopher, thank you very much for your time. And if you think of anything else that you would like to add we'd be happy to bring our machine along. Or is there something you would like to add now?

[38'12": Gordon Richardson, the Nationalised Industries Committee meeting, 13 January 1978 and contagion]

A: I only would like to add -, a memory of Gordon Richardson at the end of the crisis, I think it was '77/8, in front of a House of Commons Committee.

Q: Was this the Nationalised Industry Committee?

A: It was for some reason. Oh I can see why. And he was a barrister, as you'll remember, by training, and he was able to hold his audience. And I remember the chill again when he said that he was aware at such times of the contagion of fear.

Q: Mm.

A: And that's a real contagion as we both of us, all of us know.

Q: Indeed.

A: Bagehot traces it in *Lombard Street*.¹⁹ People start saying, "Is X all right? Is Y all right?"

Q: Yes.

A: And then they start saying, "Oh gosh, are people asking about me?"

Q: Yes. And it was contained to that extent.

A: It was contained.

Q: Yes. Thank you, Christopher.

A: If that helps I'll be delighted. And if I can do more please tell me.

[END OF RECORDING – 0:40:26]

¹ References to the Department of Trade and Board of Trade refer to the Department of Trade and Industry.

² John Fforde was Executive Director (Home Finance), Bank of England, 1970-1982.

³ Competition and Credit Control was a monetary policy operated by the Bank of England from September 1971 until the autumn of 1973.

⁴ Deputy head of the Discount Office and then head of banking supervision at the Bank of England.

⁵ Gordon Richardson, Governor of the Bank of England 1973-83.

⁶ S123, Companies Act 1967, introduced following *United Dominions Trust v Kirkwood* (referred to earlier in the interview), which allowed the Board of Trade (later the Department of Trade and Industry) to certify that certain companies were carrying on the business of banking.

⁷ Scottish Co-operative Wholesale Society banking department, rescued in Spring 1973.

⁸ Anthony Barber was Chancellor of the Exchequer (1970 – March 1974). His 1972 budget led to a period known as "The Barber Boom". The measures in the budget led to high inflation and wage demands from public sector workers.

⁹ The Control Committee, known as the 'Lifeboat Committee', its name explained later at 38'16".

¹⁰ Margaret Reid, *The Secondary Banking Crisis 1973-75, Its causes and course*, (London, The Macmillan Press Limited, 1982).

¹¹ In October 1973, the Organization of Arab Petroleum Exporting Countries declared an embargo. Oil went from \$3 to \$12 a barrel, known as the 'oil shock', which had major ramifications to the world economy. Burmah Oil had invested heavily in tankers and the US company Signal Oil and Gas. In December 1974 Burmah Oil was rescued by the Bank of England which provided guarantees and credit lines and bought BP's 21% stake in Burmah at a depressed value at £179m.

¹² Supplementary Special Deposit Scheme, known as 'the corset', introduced by the Bank of England in 1973; controls on Hire Purchase (HP); Development Land Tax, August 1976.

¹³ Bankhaus ID Herstatt collapsed at 1530 on 26 June 1974, leaving many foreign exchange transactions half-completed.

¹⁴ Johnson Matthey Bankers, bought by the Bank of England on 30 September 1984 for £1.

¹⁵ Banking Act 1979, enacted following the secondary banking crisis, gave protection to depositors of banks.

¹⁶ UK Exchange Control restrictions were abolished on 23 October 1979; 'Big Bang' - the deregulation of UK financial markets in 1986.

¹⁷ Sir Sigmund Warburg, Managing Director of S.G. Warburg & Co, merchant bank, from its co-founding in 1946 with Henry Grunfeld, until the 1970s.

¹⁸ Chief General Manager, later Vice-Chairman, Midland Bank

¹⁹ Walter Bagehot, *Lombard Street, a description of the money market* (Henry S King & Co, 1873)