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Interview Summary Sheet

Title Page

Ref. No.:

Collection title: Secondary banking crisis 1973-75 (the 'Lifeboat')

Interviewee's surname: Lloyd

Title: Mr

Interviewee's forenames: Dick (Sir Richard)

Sex: M

Occupation: CEO, William & Glyn's

Date of birth: 1928

Father's occupation: J&P Coats (textiles)

Mother's occupation: Housewife

Date(s) of recording: 27.04.16

Locations of interview: London

Name of interviewer: Richard Collins, John Thirlwell

Type of recorder: Zoom H5

Total no. of tracks: 1

Recording Format: Wav 24bit
48khz

Mono or stereo: Stereo

Total Duration: 00:21:47

Additional material:

Copyright/Clearance: No

Interviewer's comments:

Biographical background	#00:01:45#
Economic, political and social background to the Lifeboat 1973/74 and the 'national interest'	#00:04:55#
CEO, William & Glyn's	#00:05:45#
Cripps Warburg & Co Ltd into the Lifeboat	#00:09:10#
Authority of the Governor of the Bank of England; the Governor's eyebrows	#00:09:35#
Market intelligence about the Lifeboat through the British Bankers' Association's CEO's Committee	#00:11:20#
P&O, Bovis and Twentieth Century Banking Group	#00:14:35#
FNFC and Lord De L'Isle	#00:15:50#
The atmosphere in the City at the time; rumours about National Westminster	#00:16:55#
Comparison with the Lifeboat and the financial crisis of 2007-2009	#00:19:20#
Communication in the City in 1973/74; Glyn Mills and the money brokers	#00:20:55#
Authority of the Governor of the Bank of England	#00:21:47#

Interview with: Dick Lloyd

Date: 27th April 2016

Interviewers: John Thirlwell and Richard Collins

[0'00" Introduction and Dick Lloyd - biographical background]

Q1: Interview with Dick Lloyd on the 27th of April 2016, interviewers John Thirlwell (Q1) and Richard Collins (Q2). Dick, just for some small background pieces of information, which I've asked everybody that we've interviewed so far, in what year were you born?

A: I was born at the end of 1928.

Q1: And your parents what did they do?

A: Well at that particular time my father had come out of the first war and was in the textile business in J&P Coats, big cotton thread manufacturer in Glasgow near where we lived and my mother was indeed the member of a textile family which had been taken over by J&P Coats being Manchester based.

Q1: And you were educated where?

A: I was educated first at a Scottish prep school because we lived in Scotland at the time and secondly at Wellington for no better reason than my father was a pessimist about the length of the war and he wanted me to have a military based training school.

Q1: [Laughs]

A: Later I went--, after National Service I went to Oxford, Hertford College, and read PPE.

[1'45" Economic, political and social background to the Lifeboat 1973/74 and the 'national interest']

Q1: Interesting. We had--, when we have talked I was rather interested in what I might call the context that you saw the Lifeboat fitting into in the--, I suppose in the national consciousness.

A: Yes, I think it is necessary to try and recall, although it's a long time ago 1973/4, where we had all come from in the years shortly before when Ted Heath¹ rather unexpectedly won the election in 1970. It was--, it was still a time when idealism was quite to hand and not exactly commonplace 'cause it was being created at that stage. I saw it through one of the bodies that had been put together by the Conservative government the Industrial Development Advisory Board, of which I was a member from 1972 under the Industry Act. And we were looking to help industrial firms that were struggling, particularly in the Midlands. And that's what first gave me my interest

in engineering because I saw a lot of these firms. I never quite lost the feel for engineering. [laughs] I have ended my career in engineering quite some time ago.

Q1: But the idea of the Lifeboat, this sort of coming together of the banks, is that part of that same sort of political atmosphere?

A: I think it would have been quite unacceptable to those in and around the government to have had a banking disaster. A way had to be found to retrieve what was a melting situation of bad loans which came about by three oil shocks put in quite short sequence in '73/4. So there was a feeling we'd got to get this right and the Bank of England was entrusted with it and a man of superb authority and competence was Sir Gordon Richardson who was the chairman-- , who was the Governor of the Bank of England. He did it and he had staff around him who could do it and they became overnight of great importance in putting the Lifeboat together.

Q1: So you felt that there was a, erm--, if you like it was for the national interest, those who sat round the table.

A: I think--, I think London felt that it was very much in the national interest. I [laughs] had the doubtful advantage of being--, of working for a Scottish bank and I think in Edinburgh they didn't quite see it like that particularly when shareholders were going to have to put some money out.

[4'55" Dick Lloyd, CEO, William & Glyn's]

Q1: [Laughs] Now if we then go to '73/'74 what were you doing then? What...

A: Well I had been the chief executive of the smallest clearing--, no, the smallest but one clearing bank because Coutts was the smallest, it was Williams & Glyn's Bank, the merger which was completed in 1970 of those three subsidiaries of the Royal Bank of Scotland which were actually located in England and that became Williams & Glyn's Bank, comprised three banks put into one.ⁱⁱ And it was--, it had only about a three per cent share of the deposits in the clearing banks.

[5'45" Cripps Warburg & Co Ltd into the Lifeboat]

Q1: But nevertheless it is important in its way and particularly for the story about the Lifeboat and you had as one of--, well in fact one of your investments as well as a customer Cripps Warburg Bank. Can you-- ,

A: Yes.

Q1: Tell us all about Cripps Warburg?

A: It was Cripps Warburg & Co Limited, it was a bank in which Williams & Glyn's Bank had invested perhaps two years before the Lifeboat was launched and it made loans mostly on property. It was run by Sir Siegmund Warburg's sonⁱⁱⁱ who was one of the big shareholders in it and by his ex Warburg friend Milo Cripps and together they

were the managing directors of the bank. Unfortunately the loan book they made was--, in common with so many loan books suffering from the oil shock, became of doubtful value around the time of the Lifeboat.

Q1: And were they bankers by trade?

A: They had both worked in Warburg's and I could say they were--, they were skilled financiers by their trade. I don't think they had been on the deposit bank side of Warburg's which was probably [laughs] the smallest part of Warburg's.

Q1: Yes. And to come to the actual crisis I remember you telling me about the phone call from the Bank.

A: Well we were all apt to work pretty late in the evenings when the oil shock--,

Q1: Yes.

A: Was hitting us so regularly and you think of the winter evenings and we were all at our desks in case something would go wrong. I mean they were going wrong fairly quickly. And I had one night, probably about February 1974, a call from the Discount Office at the Bank of England, Rodney Galpin, who was I think the number two in the Discount Office to Jim Keogh who was in charge of it. And he said, "I want to talk to you urgently about the investment that Williams & Glyn's has in Cripps Warburg. Now you have 18.6 per cent do you not?" And I said, "That sounds the right percentage, yes." And he said, "Well I think your loan book will be going bad as we speak because everything in property is losing its value so suddenly in the oil crisis and we have a solution because all the other secondary banks are going to be wrapped up and put within the shelter of the big clearing banks who might have some shareholdings in them. You have a shareholding and as of tonight please regard yourself and your bank as owning 100 per cent of the deposits of that bank."

Q1: Oh my word.

A: And I swallowed hard but the Bank of England had enormous authority in London at the time and I knew that the Governor had told them what to say. So I--, of course I said yes on behalf of myself and I reported to Edinburgh which wasn't quite so easy.

Q1: I can imagine that. And how did they take it?

A: They didn't like it at all [both laugh].

[9'10" Authority of the Governor of the Bank of England; the Governor's 'eyebrows']

Q1: But the authority of the Governor I think that's a very interesting, you know, idea which of course today I suppose the myth is about the Governor's eyebrows, but I mean did you--, were you aware of other, you know, occasions when the Governor raised an eyebrow?

[9'35" Market intelligence about the Lifeboat through the British Bankers' Association CEOs' committee]

A: Well we all knew that he was raising them by the day or by the evening because there were only, I think I'm right in saying, about ten clearing banks at that stage, it would have been after the merger of the NatWest, which was the National Provincial Bank and the Westminster Bank, so the NatWest I think was the biggest at our table. We met as chief executives of the ten clearing banks very regularly because of the crisis and we were in the very large round table in the British Bankers' Association extremely regularly and we each were telling each other what was going on.

Q1: Right.

A: It wasn't a big number to converse so Alex Dibbs, who was then the chief executive--,

Q1: Of course, yes.

A: Of the NatWest, a wonderful man I thought, sadly died too early, he would have been telling us from his big bank aspect what was going on. And the Westminster--, the Midland Bank was a large bank too and we heard from them all the time and Barclays and so on. So we were in each other's confidences and we shared a lot of what was-- , what we were finding out with somebody called John Fforde who was an executive director of the Bank of England.

Q1: Who used to sign the banknotes.

A: He did indeed, he was the--, he was the Chief Cashier.

Q1: The Chief Cashier that's right.

A: But he was very important in all this as the--, as the listening--, as the listening distinguished ear in the Bank of England and he was getting the information from the provincial offices of the Bank of England about the collapse of industry.

Q1: Right, and so that was also sort of...

A: That was the intelligence system they had and it worked

[11'20" P&O, Bovis and Twentieth Century Banking Group]

Q1: Yes and indeed it still does, they still have the--, yes, the branches. Erm, you were also a director of P&O.

A: Yes, in the late '60s I was--,

Q1: Right.

A: But only for a few years. We had a disastrous proposal to merge with Bovis and the board was almost to a man sent away by the shareholders at a general meeting, not a very comfortable thing to happen.

- Q1: But can you tell me a bit more about that because of course in the end, erm--, well if we tell the tale of Twentieth Century Banking so having sort of the failed merger and then of course Bovis comes back into the story.
- A: Yes, well as so often happens in a takeover platform proposal P&O had bought some shares in Bovis while the proposal for shareholders was being formed and it was rather forgotten about when--, when the shareholders sent the board packing, but in fact the new chairman of P&O after that was, erm--, was made aware of the fact that P&O had got 22 per cent I think it was of Twentieth Century Banking in Brighton, a small secondary bank. And Lord--, I think the chairman of P&O may not have remembered what had happened 'cause it was quite far down the chain of his portfolio then, but he did--, like the rest of us, he was made in P&O to be the safeguarding owner of all the deposits of Twentieth Century Banking.
- Q1: So he got the same sort of phone call.
- A: He got exactly--, must have got the same. I don't--, I wasn't there then I'd left, but he must have done and Twentieth Century Banking was protected.
- Q1: And who--, actually who--, so he owned Twentieth Century Banking at the time.
- A: Lord Inchcape is the name I was trying to remember.
- Q1: Right. Yes. Erm, was Twentieth Century Banking--, that was in P&O at the time or was it with...
- A: No, it was in Bovis.
- Q1: Ah! That's what I thought.
- A: P&O had bought some shares in Bovis to give it the platform that it needed for a bid.
- Q1: So it was P&O goes to Bovis goes to Twentieth Century Banking--,
- A: Correct.
- Q1: Which is why the chain of command was some way down.
- A: Exactly right. It ends up in Lord Inchcape's responsibility as chairman of P&O.
- Q1: And so in a strange sort of way the story did come to an end when--, with P&O and Bovis.
- A: Exactly, yes.
- Q1: Yes, that's right.
- A: The same sort of shelter in the same sort of manner. I mean P&O thought to be a big enough protector and it probably was.

[14'35" FNFC and Lord De L'Isle]

Q1: And I remember you also talking of yet another phone call this time involving Viscount De L'Isle and FNFC.

A: Well I don't--, have no first-hand knowledge of this one.

Q1: No.

A: But with these late evening telephone calls from the Bank of England it is said, and I remember the story of it being said very well, that the Deputy Governor was trying to find the chairman of First National Finance--,

Q1: That would be...

A: Corporation, the deputy Governor I should have said, who was--,

Q1: Who was Jasper Hollom.

A: Jasper Hollom was trying to find the chairman of First National Finance who was Lord De L'Isle and he did so find him and Lord De L'Isle's reply was, "I want to talk to the organ grinder and not to the monkey," meaning that the Governor--,

Q1: Gosh!

A: Should have rung him.

Q1: Oh dear, oh dear!

A: [Laughs]

Q1: That's...

A: But that's apocryphal.

Q1: Indeed. I wonder now is there anything else Richard that you think we may have missed out--,

Q2: I can't think...

Q1: Or is there any extra bit that you can think of Dick that--,

A: I think...

[15'50" The atmosphere in the City at the time; rumours about NatWest]

Q1: Around that sort of time? Tell us about what it felt like at the time.

A: It was just the massive, massive time for the release of adrenaline. We were all absolutely on the corner of our chairs at all hours.

Q1: Really?

A: Because, you know, the ceiling was--, it looked as though it could fall in otherwise.

Q1: Yes, it was a...

A: The loan books were going bad by the minute.

Q1: Yes.

A: And I think a lot of banks had actually--, or even the bigger banks were worrying about their own loan books let alone the loan books of secondary banks in which they had invested. It was a very frightening time actually.

Q1: Well of course there was that weekend when NatWest actually had to put out an announcement because there were rumours all over the place that maybe...

A: I do remember they did, yes, I can't remember--, they said they were steadying the ship or the ship is steady.

Q1: It's all right and I think--,

A: Yeah.

Q1: The Bank of England quietly had more or less said to them, "Look, whatever happens you will be--, we will look after you," you know, and we will...

A: Yes, I mean they were too big to fail, weren't they [laughs]?

[16'55" Comparisons with the Lifeboat and the financial crisis of 2007-2009]

Q1: Well yes, yes and it comes around again, doesn't it? And anything else you'd like to say, as I say, about that period?

A: No, I'm very pleased that you are enquiring into it because it shouldn't be forgotten.

Q1: Well I think particularly after what we've been through sort of over the last few years and I think that of course--, and I remember once talking to Sir Jeremy Morse about this and he at the time speaking to me about a year ago was saying, "Why couldn't the Bank of--, you know, engineered or even the Basel Committee have engineered some sort of similar idea as the Lifeboat?" And I think the simple answer was well this was a national problem rather than a global international one which could not be contained in the same sort of way.

A: I know that Jeremy Morse based his thought about a Lifeboat--, a recent Lifeboat on what he had experienced in Latin American debt--,

Q1: Ah!

A: When he was with the IMF in Washington at the time doing the Group of 20--,

Q1: Yes.

A: Committee of which he was the chairman and for which he got knighted. And Jeremy felt that if you could tidy up Latin American debt from the centre, the centre then being the IMF, then somehow you should have been able to do it in Europe and in the United States for the collapse in 2008.

Q1: How very interesting.

A: And he may have been right.

Q1: Yes, although I think the sheer scale of the problem--,

A: Yes.

Q1: Or possibly not even the understanding of the sort of systemic global ramifications I don't think really were fully--fully understood.

A: I don't think anybody knew quite what subprime instruments really were.

Q1: No, well that was part of the problem.

A: They didn't touchy feely subprime instruments but they were rotten and they'd been reinsured in Bermuda with AIG and it became rotten.

Q1: Absolutely, but we're meant to have been talking about the Lifeboat of 1973/74.

A: Yes.

Q1: We could talk an awful lot about 2008. Dick, thank you--, oh, sorry, Richard.

[19'20" Communication in the City in 1973/74; Glyn Mills and the money brokers]

Q2: Sorry, I was just going to ask when this all happened in 1973/74 this was in an era where there were no mobile phones, no emails, how did the communications work?

A: Well--,

Q2: Did it work really well or...

A: I think it worked--, the City was a very small square mile, people met physically at, erm, times of the day that were given in their diaries. There was a parade of the discount market in Glyn Mills at that time every day at 12 noon. That had been a tradition of the money market. Glyn Mills was the biggest mover of money in the 1850s and onwards, even by its customers' nature, British Rail and a lot of the nationalised industries were with Glyn Mills. So we physically had a parade of the money market at 12 noon every day with the Bank of England sometimes attending. People saw each other physically. It was a very small world and the telephone was just there as well, but the stockbrokers used to come into the Glyn Mills directors' parlour all through the day. It was--, it's easy to forget that that's the way the City worked and everybody trusted each other completely. It's a far cry, isn't it, from where we got to?

Q2: It might have facilitated the solution much more that sort of close knit--,

A: I think...

Q2: Way of doing things.

[20'55" Authority of the Governor of the Bank of England]

A: I do believe that we were absolutely inclined to be obedient to the Governor, people wouldn't--, apart from that story about the Deputy Governor, they wouldn't have challenged the Governor. The Governor was--, he carried an enormous authority but also in his personality he exuded authority. It wasn't just the Governor's eyebrows it was his piercing blue eyes and he hasn't been dead very long.

Q1: [Laughs] On that note of both the Governor's eyebrows and his piercing blue eyes we'd just like to thank you very much Dick for your reminiscences.

A: I'm glad you're onto the case [laughs].

Q1: Thank you very much.

Q2: Thank you.

[END OF RECORDING – 00:21:47]

ⁱ Edward Heath, Prime Minister 1970-74.

ⁱⁱ Williams Deacon's Bank, Glyn Mills & Co, National Bank.

ⁱⁱⁱ George Warburg