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Interview Summary Sheet — Title Page

Ref. No.:

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

Interviewee’s surname: Barnes	**Title:** Mr
Interviewee’s forenames: Roger	**Sex:** M
Occupation: Secretary, ‘Lifeboat’ Committee	**Date of birth:** 1937
Father’s occupation: Travelling salesman; later ran small hotel in East Anglia	**Mother’s occupation:** ran a small hotel in East Anglia with RB’s father

Date(s) of recording: 28.09.15; 16.12.15

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Name of interviewer: Gerald Ashley, John Thirlwell

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Interview with: Roger Barnes

Date: 28/09/2015

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

[BEGINNING OF PART ONE]

[0'0" Roger Barnes biography]

Q: 28th of September 2015. Interview with Roger Barnes. Barnes spelt B A R N E S, by John Thirlwell. Thirlwell spelt T H I R L W E L L. And Gerald Ashley, A S H L E Y. Roger, very good to meet you. Some initial questions. What year were you born?

A: 1937.

Q: And your parents, what did they do?

A: My father was initially a traveller for a firm of wholesale grocers, and latterly went on to, with my mother, to run a small hotel on the Suffolk, Norfolk border.

Q: And where were you educated?

A: I was educated at Malvern College, and St. John's College Oxford.

Q: Excellent. So from St. John's did you go straight to the Bank?

A: Yes, I went straight to the Bank.

Q: And when did you actually join the Bank?

A: September 1961.

Q: Ah. And obviously, this is about the secondary banking crisis, so if we take ourselves from '61 up to 1973. Where were you? What were you doing in the Bank before, well I suppose just before the crisis broke as it were?

[1'47" Responsibilities for supervision of the Bank of England and Discount Office, the 'ladder of recognition': clearing banks, discount houses, acceptance houses; S123 banks]

A: [Clears throat]. I was posted in 1971 to what was then called the Discount Office of the Bank of England, which was the eyes and the ears of the Bank in terms of the banking community. We also handled the day to day business with the discount market. So at that time as you know, there was no banking legislation. But there was what was called the ladder of banking recognitions, where institutions starting from a small thing could gain greater formal recognition. And the lower rungs of the ladder were what was called the Section 123 certificate under the Money Lenders Acts. And an Inland Revenue concession to be allowed to receive and pay interest gross. And then the next formal rung of the ladder was to become the appointed and authorised dealer under the Exchange Control Act. And beyond that to have exemption from the Protection of Depositors Act 1964, which enabled you to accept deposits without declaring all sorts of things in your offices. So, [clears throat], we were broadly aware of the people who had major aspirations to become banks in the fullest sense.

Q: So would that include the Section 123 banks?

A: Yes.

Q: Right.

A: Because, erm, although the Section 123 certificate was granted by the Board of Trade--,

Q: Yes.

A: We advised the Board of Trade on the two aspects of it. Whether the sort of business that the company did met the criteria, and secondly, whether they had enough reputation and standing within the City to be accorded it.

Q: Ah.

A: So--,

Q2: I'm just going to add one point in there, Roger. What about the split between ineligible and eligible bills, would that have been higher up the ranking?

A: That was higher up the ranking.

Q2: Right.

A: Because, [laughs], you have to understand basically that the whole thing stemmed from the requirement of the Victorian Bank of England to judge the credit worthiness of the people that it dealt with. And the original purpose of the Discount Office was actually to be the credit assessor for the Bank. I.e., the Bank would not take a credit risk on any institution that it had not vetted. And the institutions that it took credit risk on by the end of the 1960s were the clearing banks, where it took the overnight risk in the clearing. I mean we didn't actually quite perceive it in that way, but actually that's what we were doing, we were tak--, because we always allowed the clearing to balance.

Q2: Yes. And you were the point of-?

A: The point. That meant that every night we were taking a risk on one or other of the banks in the clearing system. Therefore the Bank effectively controlled, or blessed, the people who made up the credit system. Although the BBA[i] or CLCB, Committee of London Clearing Banks formally sort of made the appointment, they couldn't make the appointment without the Bank blessing it and saying, okay, we think that's all right too. And the reason for that was that the Bank was taking the ultimate credit risk.

Q2: Right.

A: The second group that the Bank took a credit risk on were the discount houses. The members of the London Discount Market Association. And again, the Bank not only, erm, approved, had to approve any additions to the people, the discount market joining the thing, but it actually also regularly saw, erm, looked at the balance sheets and reassessed the credit worthiness of each of the members of the LDMA, each year. And that was done in the Discount Office by the Principal of the Discount Office. And the third group on which we would take a risk were the people whose bills of exchange were eligible for rediscount at the Bank. And that there our list was kind of coterminous with the, erm, oh.

Q: The accepting houses?

A: The Accepting Houses Committee. And again, any new member of the Accepting Houses Committee, erm, had to be approved by the Bank. And again, the Principal of the Discount Office discussed the financial health of the individual houses with the senior partner or chairman each year. And there was at that stage also, a formal interview between that person and the Governor, briefed by the Principal of the Discount Office.

Q2: Right.

A: So what the supervision that the Bank undertook was primarily related to the willingness of the Bank to give credit.

Q: Its own credit risk--,

A: Its own credit risk, right.

Q: Was really what it--,

A: Now the Bank never was going to take a credit risk on Section 123 companies.

Q: Right.

A: So its relationship with that although it looked at the balance sheets of it, it was never seen at that stage in quite the same light. Because although these were companies who the Bank was giving an element of blessing to, to move to that, the Bank was not directly involved in taking a risk on it. So what you had in the Discount Office before 1973 was essentially an active, but relatively low key supervision system of the financial stability of those relatively few institutions on which the Bank took a credit risk. And a lesser, erm, interest in the rest. And the further they were down the ladder of, erm, authorisations the less interest the Bank took.

[9'56" Banking Act 1979]

And to give you some idea of that when in 1979 we came to administer the first Banking Act, which was the first time at which anybody who took deposits had to get a licence to do so.

Q: Yes.

A: We received something over 800 applications. 200 of which came from companies we did not know existed. [Laughter].

Q: Which just indicates--,

A: Well it gives you--,

Q: Yes, yes.

A: And that was even after a sort of informal ratcheting up of the supervisory network between 1974 and 1979.

Q: How extraordinary.

A: So we entered the fringe bank crisis aware of the existence, I think of all the companies that came within the sort of, you know the network, the Lifeboat.

Q: Yes.

A: But not regarding ourselves as a supervisor or a primary authority for any of them.

Q: No, and I think, erm, I think people understand that. But I think your explanation is actually the clearest understanding I've had over many years of how the system worked, and you know, and why these were the institutions that you were particularly interested in.

A: Yeah.

[11'40" London & County and Scottish Co-op]

Q: You have brought us to 1973. You're in the Discount Office. Were you therefore involved in London and County and Cedar Holdings, which in a sense were two of the precursors? Or indeed the Scottish Co-op, which was earlier in the year?

A: The answer is yes. In Scottish Co-op very loosely.

Q: Yes.

A: Because Scottish Co-op was dealt with at a fairly stratospheric level as basically a deal with the clearing banks. It wasn't a very expensive deal for them. And therefore the idea that they should front up and ensure that there wasn't a scandal, etcetera, was relatively easy to achieve. So yes that was the--, so I was aware of the Scottish Co-op, but I would have said a very fringe participant in that. If we go on to November 1973, erm, [pause]. The whole thing started I suppose, I mean the rollercoaster process that became the Lifeboat started with London and County. Now London and County was a Section 123 bank that had made it clear through its owner, Gerald Caplan, that it would like to be, sort of go further up the ladder. And Keogh, James Keogh, who was the then Principal of the Discount Office was not very happy, he didn't really trust Caplan. And so he encouraged Donald Bardsey, who was then a sort of retiring director of Hill Samuel I think.

Q: Yes he was.

A: To take a position in London and County, effectively to be Keogh's reassurance that things were okay. And sometime in the autumn of 1973, and this I'm, I'm pretty certain about this, I can't--, Bardsey came to Keogh and said, “We may have a problem.” And I think that FNFC, Pat Matthews, was a shareholder in London and County.

Q: Oh.

A:	I'm not--, he certainly had, he certainly had a sort of connection, felt that he had a connection there.

Q:	Yes. Yes.

A:	Because subsequently FNFC said, well at the first stage of the rescue Pat Matthews said, “Look, I’ll look after London and County.”

Q:	Yes. That's er--,

A:	And then it was, it then fell apart because London and County it was more problems. Anyway. So you've got a situation where London and County--, Keogh is aware that Bardsey is worried about London and County.

Q:	Yes.

A:	And late November I think it probably was, 1973, someone from NatWest, probably Sidney Wild[ii].

Q:	Possibly Alex Dibbs[iii]?

A:	Well it would have been either Alex or Sidney.

Q:	Yes.

A:	Yeah. Sidney probably knew London and County better than--,

Q:	Ah that's interesting.

A:	Than Alex Dibbs.

Q:	Because?

A:	But Sidney was Dibbs’ deputy at that stage.

Q:	Yes, absolutely.

A:	[Clears throat]. So anyway, it probably was Alex, came in to see Keogh, and said, “We've got a problem.”

Q:	So that was NatWest?

A:	Yeah.

Q:	So we had Bardsey--,

A:	Yeah.

Q:	Sort of saying--,

A:	Yeah. And so there was--,

Q:	“I don’t like what I'm seeing.”

[16'50" S123 banks, their liabilities and the money markets]

A: Yeah. There was then a series of meeting about London and County. And it then became clear that London and County was unlikely to be the only person who were having trouble. And of course the trouble was essentially in all cases, a liability management problem in the first case. Because one of the troubles for the 123 banks was that very few of them had anything you could remotely call a retail deposit base.

Q: Yeah.

A: One or two had a little, but most of them were reliant on their liabilities side entirely on the wholesale markets. And it was beginning to come clear that there were rumblings within the interbank market about continuing lending to the fringe institutions. The worry being that the assets of the fringe institutions were, because a lot of them were known to be heavily in commercial property.

Q: Yeah.

A: You know the worries there, and of course as you know, when the interbank market starts getting worried it tends to act rogue-like, etcetera. [Laughter]. Lemming-like, etcetera, all going the same way. And so we've got at the end of November there are the indications that the lemmings in the wholesale banking market are about to start running for the cliff edge.

Q: And so that's very interesting, within almost weeks?

A: Oh yeah.

Q: So we’re talking November--,

A: November--,

Q: Things are quite calmish, but--,

A: Yeah, yeah. In five weeks, yeah.

Q: To October, and then suddenly the lemmings.

[18'15" Run up to the Lifeboat and Cedar Holdings]

A: Well the lemmings are about, obviously, about to go. So you then have, between the end of November and Christmas a series of discussions led by Keogh, with various clearing banks. Primarily NatWest because NatWest seemed to have more interest and more of the 123 banks. And it then became clear that it wasn’t just a London and County problem that there were others. And the second one, of course, which everybody started to think to become an acute problem rather than an incipient problem was Cedar Holdings. And the problem with Cedar Holdings was that the family that ran it really were not very popular.

Q: Ah.

A: They have the--, so whereas, for one reason or another, NatWest was prepared to at least talk about some sort of support for London and County. Nobody seemed to be prepared to talk about holding a hand out for Cedar Holdings. I mean I can't prove this, but I'm certain that the reason that Cedar Holdings became a cause célebre was because they just didn't like the family. And I mean you've all read the things about Cedar Holdings directors being called in, held in a sort of a pen inside the Discount Office for hours while everybody sort of, you know argued about it and eventually said, “No we're not going to do anything.”

Q: Mm.

A: They go to the wall.

Q: Yes I, what I've read was that the meeting started at nine o'clock on the 19th of December, and finished at 3am I think--,

A: That's right, yes.

Q: The following morning.

A: Yeah.

Q: I think, which is when Tim Bevan[iv] I think, sort of coming out said, you know, “My father was a banker, and my grandfather was a banker, but it was never like this.”

A: Well actually it's probably not true, but I suspect that the Barings crisis of 1888 there were very similar discussions. I mean there are these lovely stories about, you know the mainly Jewish directors of Cedar Holdings being taken platefuls of ham sandwiches, [laughs].

Q: True or not true?

A: The answer to that it's sufficiently likely that in a plate of sandwiches, etcetera, which were cobbled up for them there were some ham sandwiches included. I think it's extremely unlikely that they were a plate of exclusively ham sandwiches.

Q: I think that's, yes that sounds, that has a ring of truth to it.

A: I mean because, you know nobody--,

Q: Yes.

A: If somebody said, “Well we must rustle up some sandwiches for them.”

Q: It would have been a range.

A: You know it would just have been a range, and nobody would, yeah.

[21'30" Involvement of institutional investors]

Q2: One sort of follow up to that, erm, is that it isn't just the banks is it? We've got notes that some of the pension funds were involved in the Cedar discussions as well.

A: Well yeah, I mean, [clears throat], the reason, the logic at this stage was that in a sense the polluter pays.

Q: Right.

A: So that if you have been a substantial shareholder, etcetera, or a substantial lender within the interbank market to a particular institution you had a greater duty of care to see things out. So the only pension funds, which were ever involved in these discussions, were the people who'd taken substantial shareholdings.

Q: Right.

A: And then that would include Crown Agents and the pension funds. So the only people who were called in at this stage for support were institutions who had become shareholders.

Q: Right.

A: The banks on the other hand, other groups, I mean were eventually corralled to support the interbank market position. Whether they had been supporters, you know involved directly or not. Do you want to go on to the rules of--,

Q: Well, I will just ask one--,

A: 'Cause I was the secretary of the Lifeboat.

Q: I know you were, and we'll get to there in a moment.

A: Right.

[22'55" Devising the Lifeboat - the Governor and the clearing bank chairmen]

Q: There are two questions I'd like to ask. At the point of Cedar Holdings, and this again is something I've read, was there still a feeling that the crisis could be dealt with one by one? Or had we reached a point by Cedar Holdings that the scale of the problem was such that something different probably had to be put in place?

A: I don't know that. I mean my guess is that Cedar Holdings proved that one by one was going to be extremely difficult, and that therefore some form of joint thing. Because between Cedar Holdings and sort of Boxing Day--,

Q: Yes.

A: Jasper Hollom[v] had effectively devised the Lifeboat.

Q: And--,

A: And there had been, I think just before Christmas there was the first meeting between Richardson[vi] and the clearing bank chairmen.

Q: Yes, absolutely. I think it was on, yes, round about the 19th or 21st.

A: 20th, about the 21st. And the initial reaction of the chairman was mixed. And Archie Forbes[vii] in particular, erm, was pretty bloody minded about it.

Q: Because he hadn't, yes, his bank--,

A: Well his bank, he thought he had not contributed to the thing. So I think it's always--, the historian always wants to put things in tidy packages, and inevitably the facts are never that tidy. And I would say, I mean it's a spectrum. There's a realisation, certainly by Keogh, in late November that there is an incipient problem. That becomes clear that it's an incipient problem that isn't just one or two, that it's potentially several. There's then a recognition that it's a problem that needs to be sorted. And it becomes clear that actually it can only be sorted at Governor, Chairman level. I mean the principle can only be sorted, etcetera. And all that happens before Christmas. After Christmas the principle having being agreed, what you then have is the working out.

Q: Yes.

A: And I mean, you know, basically if you take away--, I can't remember when the--, Jasper summoned the first meeting of the Lifeboat sometime between Christmas and the New Year I think.

Q: 28^{th}.

A: Yeah.

Q: But before we get to that.

A: Yeah.

[28'55" Efforts of the Discount Office pre-Lifeboat (Dec 1973)]

Q: One final, which actually picks up the point you've just made about Keogh having spotted that this was not just a sing--, you know London and County, and maybe one or two others. Did he set up a sort of committee of some form? Because I'd read something about a fringe banking steering committee or something.

A: I mean, yeah, it's [sighs]. Neither Jasper Hollom nor I, when asked by the latest bank historian this question could remember Keogh having a formal committee. We don't remember any formal committee of the clearing banks before the Lifeboat itself. However, it's clearly the case that Keogh summoned, possibly on his own initiative--,

Q: Yes.

A: A group of people at sort of executive level, the sort of people that turned up later in the Lifeboat.

Q: Yes.

A: To a series, one or two ad hoc meetings. And they may have regarded that as a committee. I don't, I mean again it's semantics.

Q: It's probably why both the Bank historian and me have asked the same question because, obviously, in some of the histories that one reads you get the impression that Keogh had set up a committee. But I think your understanding sounds to me, again to have more of the ring of truth.

A: Yeah. You see this was, I mean this would have happened as it were, pre Richardson and the clearers.

Q: Yes, yes.

A: The chairmen. And Keogh could not have set up on his own bat a formal committee.

Q: No.

A: On this. And at that stage Richardson hadn't, you know really thought about the issue in any depth, and certainly not opined. So I don't think it would have been possible for there to have been formally a committee. I do think, in fact I know, that Keogh had ad hoc gatherings of things, which to the people attending could well have looked like a committee. So I think, I think it's semantic, and it think it's a bit of a non point.

Q: No, I'm just interested in whether Keogh was sort of--,

A: I mean, you know yeah, but you know. Yeah, yeah.

Q: And then suddenly--,

A: No, I mean what--,

Q: Governor and Deputy Governors suddenly-,

A: No that, no, no. No, no, no.

Q: Which--,

A: What I never found out was how closely Keogh kept Hollom and Richardson informed about what he was doing.

Q: In sort of October, November, December?

A: No, from the beginning of December onwards.

Q: Ah. Right.

A: I mean almost certainly they wouldn't have known what he was doing with Bardsey.

Q: Right.

A: I mean Richardson wouldn't have known a thing called London and County existed, I mean it would be so far below his radar, [laughter].

[29'00" Forming the Committee – its members]

Q: Well we've brought ourselves to the Lifeboat.

A: Right.

Q: And er, and the first Secretary thereof.

A: Yeah.

Q: So do tell the tale of the formation of the committee.

A: Well, I mean we just, I mean Jasper just summoned it. And each of the London clearers, and each of the Scottish, the three Scottish, main Scottish banks were invited, instructed, you know approved by their chairmen, because the great thing was that the principle of being constructive had been agreed by the chairmen. However un-reluctant Archie Forbes was, he did agree to it. So they all came in having been sort of briefed by their chairmen that they were to take a constructive position. I mean and that was hugely important. And so we had everybody, erm, and who, I think round the table. Sidney Wild came from NatWest. Erm, John Quinton[viii] came from Barclays, initially. Er, a man called Evan Vaughan[ix] came from Lloyds. Stuart Graham came from Midland. Erm, Ritchie[x] from Williams and Glyn's. Erm, now who was it?

Q: I can do William Smith from Clydesdale.

A: Sorry?

Q: Clydesdale.

A: Clydesdale was Bill Smith. I'm trying to remember the, the Bank of Scotland was, now what was his name? And I can't remember the Royal chap either. Not the first one.

Q: Bill Lyall?

A: Probably. Have you got a name for the Bank of Scotland?

Q: No I haven't.

A: Erm, oh, it was--, I mean it became Cowan, but I don't think he was the first. I don't think he was the first, and I'm trying. I can picture the man. It's gone. Now who have I left out?

Q: Well we've done Willy Glyn's, we've done the five. No I think you've done it because those are the five plus Clydesdale, RBS, and the Bank of Scotland.

A: That's right, yes.

Q: Yes.

A: Runciman. Runciman was I think was the Bank of Scotland, the initial Bank of Scotland man. Anyway, yeah, Bill Smith certainly.

[32'00" Organisation of the Committee - who to be rescued; the hierarchy of responsibility; agreeing the Bank of England's share; the draft agreement]

And so Jasper sort of set the scene, and what we then did was we went round the table and everybody laid out the people that they knew about, and felt they were lead bank on, and we just made a list. And I can't--, there were about 19 on the first list.

Q: I was going to ask you how, yes, how many were there on there?

A: I think there were about--, it's in, you can get the detail in the, you know the latest Bank history. And the interesting thing was that of those 19 each of them received eventually support from the Lifeboat. And only four more, four or five more were subsequently added.

Q: Oh right.

A: So one of the great achievements of that very first meeting was actually to identify the core of the problem.

Q: With the greatest--,

A: And that was done in the first hour and a half. And I mean, and we're looking back on it, we actually had solved the problem at that point.

Q: So--,

A: You know because we'd identified the broad field. The other thing we decided at that meeting, which was important, was the sort of, the hierarchy of responsibility. And it was, for each of the 19 names a lead clearer was, somebody round the table was identified as what was called the lead bank. And that was substantially, erm, based on who had the strongest banking relationship, and/or money market exposure to them.

Q: Mm.

A: And everybody had at least one name attached to it. Although I have to say that Bill Smith got the British Bank of Commerce, which was a Glasgow, a man called Stone ran it. And he rather reluctantly undertook. And I can't remember who Midland got, Midland, I mean Stuart Graham agreed to take. Medens Trust I think was Graham's, Stuart Graham's one. But the bulk, NatWest had the longest list.

Q: Yes.

A: And Williams and Glyn's for its size had a rather longer--, of course they had David Samuel Trust.

Q: Oh yes.

A: And erm, a couple of others. So it had a slightly longer list than its size perhaps justified.

Q: [Laughs].

A: And it was basically agreed that, again at the first meeting, or either the first or the second meeting that no support would be given to an institution which was deemed by the lead bank to be insolvent.

Q: Right.

A: I mean, [clears throat], that the support that would be given would be liquidity support. And those 19 banks were divided into three groups? I think certainly three. The first one was for joint support. And basically it was agreed that for anybody who was good for joint support would receive interbank funding from everybody, according to a formula. And if they went bust the losses would be shared within the group against the same formula.

Q: Including the Bank at ten percent?

A: Yeah that's right. And the formula which was agreed, which was a proportion of I remember eligible liabilities, which was a sort of M1, M2 sort of monetary policy issue.

Q: Yes, yes.

A: But it was a suitable proxy. And so it was agreed that the liquidity support would be given in proportion to your eligible liabilities. And if it went bust your losses would be determined again by your standing in proportion of eligible liabilities. Then there was a category, that was category A, and then category B were those institutions which would get joint liquidity support on the same basis, but if the thing went bust it was the sole liability of the connected bank, the lead bank.

Q: Right.

A: And then there was another group, C, which I can't remember whether anybody was actually in it, where both the funding and the losses were the responsibility of the connected bank.

Q: Oh I see. Yes, so it was--,

A: So there was this hierarchy.

Q: So we were almost having oversight of those, but fundamentally they were being--,

A: You were stuck with it. I mean if it, you know.

Q2: Yeah.

Q: Yes.

A: So they were, right. And once that had been--, and then there was a debate about how much the Bank would take. I think Hollom started lower, but they--,

Q: I was going to say, what was the Bank's attitude, you know?

A: Well the Bank was clear that it had--, the Bank had absolutely no problem in sharing the funding. There was an argument about how much of a loss, any loss the Bank should take. And I think Hollom started off at eight and a half percent.

Q: Oh right.

A: But the clearers said that wasn't enough, and so he came up to ten and they accepted ten. And that was all, I mean that was all decided, erm, sort of very, very rapidly.

Q2: Right.

A: And there's by and large, you know there was very little thing. At one point Hollom said, this was later on, that he would actually draw up as it were a formal contract agreement of the Lifeboat. But actually that never happened. The whole thing was done basically on a series of minutes.

Q: That's very interesting because I remember reading, which amused me at the time that there was the committee set up in December ’73. And I had read that June ’74 was when sort of heads of agreement were in fact written down.

A: I don’t, I mean--,

Q: But you're saying--,

A: Jasper, Jasper, it's possible that Jasper started drafting them, but there were never any formal heads.

Q: Formal.

A: They were never signed.

[39'25" Roger Barnes becomes secretary to the committee]

Q: Marvellous isn't it really? Glad you're in this country really, [laughter]. Now back to personal stuff, or maybe it's an administrative thing. Roger Barnes becomes the first Secretary. How did they light on you, apart from the fact that you were in the Discount Office? They patently didn’t have Keogh.

A: I mean the answer to that is I have no idea.

Q: [Laughs]. I thought you might.

A: I mean, well, no, erm. [Pause]. Richardson never liked Keogh from the word go. I mean I'd always understood that there had been some sort of fracas involving Keogh and Richardson while Richardson was at Schroders. So he arrived, Richardson arrived at the Bank not having much time for Keogh. It was very easy at that stage for anybody looking round for 'why haven't I known about this?' to say Keogh should have told me about it.

Q2: Right.

Q: Ah.

A: Erm, you know, I mean if there's a scapegoat around, Keogh is the obvious scapegoat. Erm, [Coughs], so it was extremely unlikely--, well in any case Keogh would have been too senior to have been erm--,

Q: Yes.

A: Secretary, etcetera. But also he wouldn’t have been persona grata with Richardson. So it's unlikely that Keogh was ever going to be the Bank representative on the Lifeboat. That only left Rodney Galpin.

Q: Oh right.

A: Who was Keogh’s deputy, and me, who was the Assistant Principal in the frame. Immediately after Christmas, erm, Galpin was pretty busy doing fire fighting, and you know sort of seeing people and the rest of it. And I think I got the job because I was next in line and was thought to have rather more time.

Q: So, and the job, the role because my understanding is that the committee was meeting daily for--,

A: Yeah, virtually.

Q: Some time.

A: Yeah. Well, and also, erm, essentially Hollom because Galpin, well Keogh was non grata, Galpin was quite busy. Most of the time, erm, the only Bank of England people sitting on the committee were Hollom as Chairman, and myself. So in a sense Hollom represented the Bank and I was sort of the executant of, you know, of getting things done. And really in the early days, I mean my minutes were basically a set of action points.

Q: Yes, so it was just--,

A: And so I mean, you know--,

Q: Got to the end of the meeting and--,

A: And so at the start of the next day's meeting I would circulate what the action points had been from the day before. And fortunately I seemed to get them right, [laughter].

Q: So you stayed in the job.

A: And then I mean I ended up by taking back into the office the action points, which had related, you know to the Bank to get them worked out.

Q: So you then found yourself implementing the Bank's thing as well as writing down the action points?

A: That's right, yeah. Yeah. Well yes. I mean you can exaggerate that it was me implementing them all. I was largely the messenger boy, and you know what bits I could implement I did, and the things, which were above my pay scale, you know I made sure somebody else did them.

[43'35" How the committee worked]

Q: Did the committee meet on the same time every day?

A: I can't remember that. I think the answer almost certainly no. It would depend on people's availability. Obviously there was a tendency for people to want it to be--, I think it was usually afternoon, I think it was usually about 2:30. But that I can't rem--,

Q: Which gave people the morning to sort things out.

A: Yes that's right.

Q: And move on.

A: Move on that's right.

Q: Then we'd meet again and see where we'd got to.

A: Yeah.

Q: And meetings could go on for hours?

A: No. Rarely did they, rarely did they go on for more than an hour and a half, two hours. I mean the great thing, I mean the incredible thing about them was that they were remarkably good tempered, and remarkably constructive. People did not come in to filibuster. I mean what happened was that the related bank, I think we normally always had a tour de table, and somebody would say, “Bank A position a bit better,” etcetera, and, “We’re not quite as worried as we were.” “Bank C, we’re more worried than we were,” etcetera. “The CEO is throwing a wobbly,” and you know that sort of thing. And so everybody shared where they were. And to the extent that, erm, it became clear that you know, company A was going to need 50 million rather than 40 million that would be reported. Erm, every now and again someone, you know would say, “Are you sure that it's still solvent?” And you know then people would say, “Yes, we've got enough time to work it out, it's still solvent.”

Q: Because, yes--,

A: I mean they did not in the solvency test go through the book with the worst possible case scenario of their pencil. They did it on the basis, probably as they steadily used to do their own provisioning at that stage to say if we’ve got time will this come good?

Q: Mm.

A: So it was not, I mean you could say a criticism of the thing was that the judgement of whether the thing was solvent or not was not done on a worse case analysis. It was done on the basis that if we can give this six months can they get out of it? And if the answer was yes we think they can then we’ll say they're solvent, for the purposes of the Lifeboat.

Q2: Still as a going concern really I suppose?

A: Yeah that's right. I mean, yes.

Q2: The liquidity--,

A: Yeah that's right.

Q: Well I think your point about provisioning, yes that probably would be the way you'd go.

A: And that was the stan--, I would have said that was the standard method of clearers' provisioning at that stage, at that point in time.

Q: Yes it was. Yes. And that implies also that if one of the clearers says, oh by the way, you know we’re going to have to give so and so another 30 million or something, or 20 million, generally people said, “Oh fine.” You know they rather relied on the assessment.

A: Oh they entirely went with it. Nobody--,

Q: They didn’t sort of say, “Hang on,” you know--,

A: No, no, no, no.

Q: "That seems an awful lot."

A: Everybody assumed that the related bank, the bank that was in the lead was as competent as they were to work out whether, and nobody, I mean every now and again somebody would say, "Are you sure it's okay?" And it, they said, "Yes, we are sure."

Q: But it was more, you know are you sure we really are likely to get out in six months.

A: That's right, yeah. Yeah that's right.

Q: Rather than challenging the amounts.

[47'20" Stage 2 of the Lifeboat: FNFC[xi], Mercantile Credit, UDT[xii] (1974 Q2, Q3) and the property market crisis]

A: That's right. And that in a sense, what we're talking about, was how it worked for the stage one. Then there's another, there's stage two of the Lifeboat. And stage two of the Lifeboat two things happened. One is that one or two of the, erm, people who've had initial support are reported by their related bank actually to be beyond repair.

Q2: Right.

A: And that's London and County, and that's Triumph Investment Trust. Those are the two that-. I think there was another one, but those are the two that come to mind. This happened probably about April/May, something like that. And the other thing that happened was that as the worry in the wholesale market, interbank market grew then bigger names started needing support. So the ones that come into the erm, Lifeboat in the sort of four or five months later are FNFC, erm, Mercantile Credit.

Q2: Right.

A: Forward Trust, erm, one more, some possibly.

Q: Was UDT?

Q2: UDT.

A: UDT that's right, UDT. Yeah, it's UDT not Forward Trust. And they brought with them the bulk of the requirement. The lending, the joint lending peaked in November '74 at one point two million. One point two--,

Q2: Billion.

A: One point two billion. Of which roughly 800 million was lent out to, erm, Mercantile, UDT, FNFC, erm, and whatever the fourth one was. So I mean the initial 19 really generated relatively little requirement.

Q2: So was there a feeling that there was a sort of contagion effect here? Because obviously, we're kind of creeping up the credit worthiness, the 123 banks, and the minnows. You identify the 19 very quickly. As you say, some four, five, six months later much more substantial names with much more substantial might.

A: Yeah, I mean they had the--, I mean you see they had essentially the same problem that a very large proportion of their liabilities were interbank lending.

Q2: Right, yes.

A: And I mean during that period the interbank lenders became more and more cautious.

Q2: Yeah, the market dried up.

A: The market dried up for them, you know.

Q: The other problem--,

A: I mean it's not unlike what happened after Lehman Brothers.

Q2: Yes.

A: Except the telephone numbers were huger.

Q: And March '74 was the beginning of the property crisis, which almost triggers stage two.

A: Yeah, that's right.

Q: 'Cause the initial Lifeboat call it three or four hundred million, but something of that order and life going on, and then the property crisis suddenly--,

A: That's right, yeah.

Q: Took people like UDT and Mercantile Credit, even though they were HP[xiii] companies fundamentally.

A: Ah, but they did have quite a large commercial credit, commercial property bulk actually. I mean that was the, erm. So I mean that was stage two.

Q: Before we do stage two.

A: Yeah.

[51'00" Lack of publicity in the Press and elsewhere]

Q: One thing that is quite interesting is that patently this whole little operation, a very significant operation, amazingly in today's terms is completely--,

A: Under the radar.

Q: Out of the radar of either the public, politicians, the press. Apart from, I understand, it was only about the end of January '74 that Margaret Reid wrote an article in the FT. And even that was sort of on page 12, you know, sort of, in a sort of very small little piece.

A: Yeah.

Q: Deliberate, or the way we did things?

A: I think the way we did things. I mean Jasper would have been, I mean Jasper definitely always believed that you did good below the radar more than you did good above the radar, etcetera. So he would not, erm. We were not, in anybody's view, risking public money.

Q: Yeah.

A: Only our loss potential was well within our capital requirements, you know I mean we weren't going to have to call on the Treasury if we had to provide, or for losses, etcetera.

Q: And you could pay your dividend?

A: We could pay our dividend that's right, yeah.

Q: [Laughs].

A: And I can't really remember how much the Treasury was kept in the picture. The Treasury knew that we were doing something because, you know somebody came down from the Treasury for lunch on Wednesdays and Fridays. Wednesday was overseas day, and Friday, connected with the Treasury Bill tender, was home finance day. And they stayed on for a sort of briefing. And they must have been, sort of, well you know there's been a little bit of a problem, we've got it all in hand. And they told the Chancellor it's all in hand, I mean.

Q: Well I did dig into, I found the Treasury file down in the National Archives.

A: Right.

Q: And you do get a very strong impression that they really didn't know what was going on. Other than that something was happening, but--,

A: And it was all under control and they didn't have to worry about it.

Q: And it was only when the politicians sort of seemed to get wind and say, "What on earth is going on? Surely you know, you know." But you've now explained why there were mentions of the lunch, you know the kind of almost the regular lunch.

A: Yeah, yeah.

Q: And I hadn't realised that somebody popped in, you know on a Wednesday, and somebody else on a Friday.

A: Yes. OF, I mean in the old Treasury thing, OF Overseas Finance lunch, you know the second Permanent Secretary in charge of the OF division lunched on Wednesdays. And on Fridays it was Home Finance, and it was the Permanent Secretary of HF. And they had to come down on the Friday because on the Friday the Treasury Bill tender occurred.

Q: Yes.

A: And it was a convention that a member of the Treasury sat and observed the tender operation to ensure that it was properly done. [Laughter].

Q2: All good stuff.

Q: It is, absolutely. Are you all right? Yes. We'll do a bit more, erm, and then maybe we'll, well we'll see how we go. So we've now got to stage two, we've got a property crisis, we've got new names coming in. And as you said, we got to a peak when?

[54'45" Rumours about NatWest; the Lifeboat capped; the Bank takes responsibility beyond the cap]

A: Oh much later, November, November '74. That was at the point at which, well two things happened if you remember, NatWest's share price fell below par.

Q: Yes.

A: And there were rumours in the market that NatWest was itself in difficulty.

Q: Yes.

A: And the Chairman of NatWest[xiv] came in to see the Governor and said, you know we can't, we've got to think of our shareholders, we can't go on, you know sort of supporting the Lifeboat endlessly. You've got to put a limit on it, and to the extent that you know, anything goes over the limit you'll have to see it as for the Bank's own risk. And Jasper Hollom's advice was ultimately that we should limit the Lifeboat support to, as I say, one point two billion. Now I think that actually, erm, that Jasper having looked at the balance sheets of the ones that were producing the large chunks, I think he just felt that there wasn't very much more to come. That i.e. we were already--,

Q: We'd got the scale of the problem.

A: We were already effectively supporting the books of the big ones, and he didn't think there would be other ones coming out of the woodwork. And therefore saying that there would be a limit to joint funding and joint risk at this point actually was not a big risk for the Bank because we were coming to a natural peak.

Q: Yes.

A: And I think it was a fairly brave decision on his part. But with hindsight, erm, and I mean I just can't prove this because I mean Jasper now is dead, and secondly, Jasper on the whole didn't show his cards around very much. So I have to read it from what I know of the man. And I think he would have just said, "Right, okay it appears a big risk, but actually I don't think it's a big risk at all because I think we've peaked." And he turned out to be right.

Q: I was going to say, his judgement as it turns out was--,

A: Was absolutely right.

[57'00" Active efforts to shrink balance sheets of those in the Lifeboat]

Q: But there also seemed to be much more active, if you like, management of the various institutions. Either people were put in from the clearers.

A: Yeah.

Q: There seemed to be a much more concerted effort to get the balance sheet shrunk.

A: Yeah that's absolutely right. Of the big ones.

Q: You sort of get the sense that Kenneth Cork[xv] was also in the background--,

A: Well, yeah.

Q: Probably throughout.

A: Yeah. No, I mean there were, there were two things happening. First of all, again because the property situation got worse.

Q: Yes.

A: The weaker members of the original 19 it's just clear that they were no longer solvent. So the related bank came back and they said to the committee, "London and County is no longer solvent."

Q2: Right.

A: There was an attempt to sort of merge it in to FNFC.

Q: Yes.

A: Which was actually probably pretty fatal to Matthews in the long term. He thought that he would gain brownie points I think, by appearing to be a big helper, but actually he dug his own pit bigger in the circumstance.

Q: Yes, yes.

A: Anyway, so you've then, you have some failures. Moorgate Mercantile, erm--,

Q: Oh gosh.

A: London and County, Triumph Investment Trust, so on, I can't remember. Now Triumph Investment Trust and London and County went into liquidation before all the regular depositors had, as it were, been taken out--,

Q2: Ah.

[59'00" Bank of England stands in the shoes of retail depositors]

A: By liquidity support. So there were a relatively small residue in both cases of unrequited small deposits, smallish depositors. And effectively what the Lifeboat members said, "Well, Bank, over to you. It's up to you to decide how you're going to deal with the unrequited depositors." And in those cases what we did was that we stood in the shoes of those depositors in the liquidation, we paid them out, and then we proved as creditors in the liquidation.

Q: That is the Bank doing that?

A: The Bank. That's right. So we became, as it were, we became sort of not only were we at risk for our ten percent of the joint funding, joint risk--,

Q2: But for those depositors.

A: But we were 100 percent risk for the additional liabilities that we were standing behind. And we appointed, I was appointed the Bank's representative on the creditors' committee of London and County.

Q: Right. Yeah.

A: And I think, I can't remember, I'm not sure we bothered with Triumph Investment Trust. But anyway the essential thing was that no ordinary depositor lost any money out of these liquidations because the Bank stood in their shoes and proved in the liquidation.

Q: Yes, I understood it was a principle that depositors shall not--,

A: No that's right.

Q: Shall not lose.

A: We had, I mean there was one lovely occasion, we--, Jasper decided that we would define a deposit as anything, any erm, transaction which had, had an initial maturity of one day less than five years.

Q2: Ah right.

A: Right. On the basis that anything five years plus was actually not a deposit but--,

Q: No.

A: I mean it was purely arbitrary. And there was a marvellous episode when a London lawyer brought in a Swiss investment company I think it was, who had a five year original deposit with Triumph Investment Trust--,

Q: [Laughs].

A: To complain. And so I sat in with Jasper and these people came in, and to start we really were on the back foot because there's no analytic reason why five years minus one day is substantially different from five years, etcetera. I mean it was basically when Father Christmas chooses, etcetera.

Q: [Laughs].

A: But, erm, so anyway we had this rather stilted awkward bit to start with. And at one point the London lawyer leant forward and he said, he said, “Mr Hollom,” he said, “That sounds to me suspiciously like conniving at fraudulent preference.”

Q: [Gasps].

A: And Jasper, who was sitting like this at that point, etcetera, he pressed the tips of his fingers together, looked out of the lower end of his glasses, and he said, “Shall we regard that as a remark that had better not been made?”

Q: [Laughs]. I suppose if you're the Deputy Governor you can say.

A: Anyway, so I mean in three or four minutes, I mean they were out, etcetera, and we'd won sort of, you know, six-nil.

Q: [Laughs].

A: And we went back in afterwards to sort of talk about the meeting, "It was a very good thing that lawyer said that," he said, "It enabled me to lose my temper."

Q2: [Laughs].

Q: And that was Jasper losing his temper was it?

A: That was Jasper, yes.

Q: Gosh.

Q2: And I suppose at that stage the publicity was much greater.

A: A bit.

Q2: Because of depositors now being aware of the situation.

A: Yeah, but very little because the depositors had not lost any money, so there wasn't a great--,

Q2: Right.

A: There was no hoo-ha.

Q2: Right.

A: There might have been if the depositor had lost money, but because--, and there wasn't a hoo-ha, you know the public sector involvement or anything like that. It was remarkable, I mean I think it was on the basis that everybody, I think, rightly felt that the thing was under control.

Q2: Mm.

A: So why make out, and why make a panic out of something like that? So you've got, anyway that's the things that are happening to the ones that are going to the wall. The other thing that's happening is the shrinking of the balance sheets, the taking control of the big beasts.

Q: Yes.

[64'20" Clearers appoint 'their men' as CEO to FNFC, UDT, Mercantile Credit, Keyser Ullman]

A: And into each of the big beasts the clearers insisted that their men went in. So we had Horner[xvi] sent in as--,

Q: Yeah.

A: CEO of FNFC. You had, erm, Mather[xvii] called up for Forward Trust [Barnes means UDT when he refers to Forward Trust in the interview]. Who did you have for Mercantile Credit? Erm,

Q2: We haven't got that.

A: Anyway, I mean you know, the clearers, and I think, I mean I can't prove this either, but I think that at that point the clearers decided that as their reward or sort of thing for that they were going to swallow up these awkward--,

Q: Yes.

A: Competitors. And this was, this was the way, this was a way in which they could, erm, cut them down to size, make them a point where they, you know they could be bought in quite cheaply.

Q: And I think did Barclays pick up Mercantile.

A: Mercantile, Barclays picked up Mercantile.

Q: Eventually TSB picked up UDT funnily enough. Or was that through--,

Q2: Midland picked up Forward Trust.

Q: Yes.

A: Midland picked up Forward Trust, yeah.

Q: Yes.

A: And so the, erm, you know they put in their--, the interesting thing was that in some ways often the, [laughs], the chap they sent in went native.

Q2: Ah.

A: And Mather, Mather was really, you know trying to fight off Midland [inaudible 0:1:06:03].

Q2: [Laughs].

A: And Horner was distinctly anti Barclays at various stages, [laughter]. But I mean you're quite right, essentially for those people part of the solution was to shrink the balance sheet.

Q2: Yeah.

A: Which reduced the competition. They had been awkward competitors for them in sort of the late ‘60s.

Q: Yes. Yes.

A: And I think that the clearers decided that this was a convenient moment where they could just swallow them up.

Q2: Yes.

Q: Yes, I noticed that Derek Wilde from Barclays became chairman of Keyser Ullmann.

A: Yeah, nobody wanted to swallow that one up, but I mean it was, yeah.

Q: Reporting to Jasper and to the Governor.

A: Yeah that's right. Well that was again.

Q: Yeah.

A: I mean there was a tendency for--, anything where there was quite a lot of liability and quite a lot of asset that you put your own man in, you know to help. So that's stage two. And there is a stage three, but carry on with stage--, oh.

Q2: No I think let's hear on stage three 'cause I'm sure--,

[67'00" Stage 3 of the Lifeboat: Slater Walker, Edward Bates, Burmah Oil[xviii] (late 1975)]

A: Well stage three are the ones that really came up quite a bit later. And came up for slightly different reasons. And they were the people like Slater Walker, and Edward Bates. Who were clearly not fringe, they were people who had, you know, they'd got to the top rung of the banking ladder. And their problems were, [clears throat], less related to the very straight forward problems with the property market and the asset side, and erm, poor liability management, too much reliance on the wholesale markets on the thing. And they in a sense because they came late, and because they were sort of real banks, were dealt with in a slight different way in the sense that the Bank took much more responsibility for the sorting out. And it was sufficiently late on in the Lifeboat that I think the clearers felt at that stage that they had actually sorted it, you know done their bit and sorted out the initial problem.

Q: Yes.

A: And they were more like--, they tended to see Slater--, I mean Jim Slater was a controversial figure, and Bates was seen as a little bit, I mean you know, a bit of a flaky shipping company.

Q: Yes, yes.

A: A pretty big bank, and therefore really it was a different sort of problem. And I think they were right to do so, I do think that.

Q: ‘Cause the other one that the Bank got involved in was Burmah Oil.

A: Yeah, but that was nothing to do with the Lifeboat. Absolutely nothing to do with it.

Q: Okay, that was a separate--,

A: It was a completely separate issue.

Q: Okay.

A: And was, I mean was dealt with, well it was dealt with by Jasper, but in a completely different group.

Q: Wearing another hat effectively.

A: Yeah, a completely different set of, I mean the clearers weren’t involved in the same sort of way.

Q: No, no. No, no, no.

A: I mean it was, you know there's a lovely story about Jasper on that one. Erm, Burmah Oil broke, again round Christmas time, and two days, a day after Boxing Day a stockbroker, you remember the deal with Burmah was that the shareholders lost everything.

Q2: Mm.

A: I mean you know, they got absolutely--,

Q2: Yeah, wiped out.

A: So a 'disgusted of Tunbridge Wells' stockbroker rings up on the day after Boxing Day demanding to be put through to someone on the Burmah Oil question. And is put through to Jasper as Deputy Governor. And he rants at Jasper, "I am disgusted, etcetera, that the small person be pushed to the wall like this. It really is the end of the world." Blah, blah, blah, blah. And then he suddenly realises that he's talking to the Deputy Governor. "Oh," he said, "I'm terribly sorry, I never meant to, I want to talk to somebody at working level." And Jasper said, "I think you'll find that I am the working level."

Q: [Laughs].

Q2: Brilliant.

Q: Oh that's lovely.

A: I mean he was one of my heroes, Jasper.

Q: I can well imagine. Gerald?

[70'30" Property companies, the Lifeboat and the Discount Office]

Q2: Some background. Obviously, as John has said, the property crisis started to unfold. There was the whole Willie Stern[xix] property empire. Do you get the feeling that--, what was pushing what here? The very initial banks in the Lifeboat was it a question that they were now becoming forced sellers of their assets, and then that was a triggering effect? Or was it not that, erm, you can't tease it out in that sort of way?

A: No, I mean there were one or two suggestions sort of in the middle of 1974 that a similar sort of deal might be done for property companies.

Q2: Right.

A: But it never came anywhere. I mean John Ritblat[xx] got concerned about Plantation House, and you know etcetera, and did quite a lot of lobbying. And of course there was the Stern and Freshwater[xxi], and the rest of it.

Q: Yes.

A: And Stern wasn't very popular so there wasn't much appetite to do anything. And, erm, without I think, any, there wasn't, as it were, any formal ruling, but it was agreed altogether that trying to do something for property companies as a whole was pushing water up hill and it shouldn't be attempted.

Q: But there appeared to be a sort of encouragement to get investors or insurers to buy property to try and stabilise the market. Was that the sort of--, Kenneth Cork, I think was--,

A: No I don't, well--,

Q: You don't think? No.

A: I, I mean--,

Q: So you don't think there was really concerted--,

A: Well I mean I think the answer was that the feeling was that if anything organically arose in the market, which had the effect of stabilising the market, that was a good thing.

Q2: Mm.

A: But there was no ambition or intention to do anything, which was non, organic.

Q: Right.

A: Like the Lifeboat had been a non organic, to support the property market had to--,

Q2: Right.

A: Look after itself. [Laughs]. We used to, in the Discount Office we used to get people running property companies coming in and saying, you know, was there any help we could give. I remember one marvellous occasion a couple of directors came in from a property company, and they were very worried and they said, "Mr Galpin, we have this magnificent development immediately opposite the Royal Palace in Copenhagen. And you do realise that if nothing happens there is going to be for years this big hole." [Laughs]. "A building site in front of the Royal Palace in Copenhagen. We must surely do something." So Rodney said, "Well," he said, "Who are your bankers?" "Well NatWest are our bankers." "Well," he said, said Rodney, "What do you suggest we might say to your bankers?" "Well Mr Galpin," he said, "I think we might tell them a little white lie." [Laughter].

Q2: That seems reasonable.

Q: Oh well, putting your cards on the table.

A: Yeah. But, no, so I mean, the property market issue bubbled.

Q: Yes.

A: But it did not, as I say, it was decided not to do anything organic about it.

Q: No that's understood. By the time you've got to Slater Walker you're up to October '75.

A: Yeah.

74'30" Aftermath of the Lifeboat (1975 +)]

Q: It appears that the Lifeboat in one form or another, nevertheless seemed to go on for a number of years after that. I mean were you involved? Or how long did the--, A:	No, I'd left by then.

Q:	Ah.

A:	I mean, yes it did go on because--, but essentially in a caretaker running the, I mean running the assets off.

Q2:	As a run off, yes.

A:	It was a run off. I mean there was a long run off period.

Q:	Yes because I spoke to Andrew Buxton at Barclays.

A:	Yeah.

Q:	Who came into it--,

A:	Yeah, he came in after when John Quinton left.

Q:	That's right. And Jim Dyson, and those sort of--,

A:	And Jim Dyson that's right, yes.

Q:	And he said, well so far as he was concerned it was just like normal bad debt banking really.

A:	Yeah that's right. Yeah.

Q:	Run off type stuff.

A:	As I say, it was run off, yeah.

Q:	And you by then anyway, erm, were no longer secretary of a committee--,

A:	No I wasn’t secretary, no.

Q:	That was--,

A:	And the committee only met probably once a month every six weeks. I mean you know it--,

Q:	It had, yeah.

A:	I mean, you know the really active period for the committee was between January '74--,

[END OF PART ONE – 1:15:50]

[BEGINNING OF PART TWO]

Interview with: Roger Barnes

Date: 16/12/2015

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

[0'00" Lifeboat, Stage 1 - The Bank of England and London & County and Triumph Investment]

Q: Second interview with Roger Barnes, 16th of December 2015. Roger, I wonder whether we could just recap slightly with one or two of the points that you made in the first interview. And I remember towards the end we were talking about Slater Walker around about 1975. And I think you were maybe about to make a point, or maybe you did make a point about the distinction between the way in which the Bank handled different types of institution. I wonder whether you could expand on that particular point?

A: Yes, fine. If you go back to the original people in the Lifeboat, they were supported both for liquidity and capital on a shared risk basis. And if they--, if as a result of lending to them the lenders, the people in the life banks, in the lifeboat, incurred losses because they had to write down their advances to them. That fell out as a natural bad debt and was shared on the basis of the risk that had been identified for funding, i.e., proportionate eligible liabilities. In that group there were one or two, notably London and County and Triumph Investment Trust, and there may have been another that I've forgotten, where during that first phase it became clear that those two were bust and the Lifeboat Committee was not prepared to cover that shared risk any longer. In the case of London and County and Triumph there were still a number of genuine depositors who were still on the balance sheet, and who hadn't been paid out by the running down process. And in the case of those the Bank decided that it would stand in the shoes of those depositors, pay the depositors their, the money due to them, and then claim in the liquidation. And it was that the one I think I said that, erm, I was on the Committee of Inspection.

Q: Yes I remember that.

A: For London and County. And a similar one was done for Triumph. And in that case the Bank not only took any shared risk, but the whole of the risk attributed to the additional liabilities that it had taken on. So if it took in an additional liability for a million and were paid 50p in the pound we got back half a million.

Q: Right.

[3'25" Lifeboat Stage 2 - FNFC, UDT, Mercantile Credit]

A: The second phase, which you referred to, actually didn't result in any liquidations or failures. That was when, as you said, the property market fell and the big beasts, the FNFC, UDT, Mercantile Credit came into the Lifeboat. And if you remember we talked about how they brought the big numbers into the book. Those companies were all solved either, erm, by being acquired by a clearer, Mercantile was bought by Barclays, I think I can't remember.

Q: Yes it was.

A: UDT was bought by Midland?

Q: Midland, yes.

A: And FNFC was actually revamped. But none of those companies, although they were all reconstructed, resulted in any long term loss, etcetera. They were as it were naturally worked through by purchase, takeover.

Q: But coming back, I think we had talked about the distinction between the Triumph and London and County, and people like that. And also Slater Walker--,

A: I'll come on to that.

Q: Ah. I'm so sorry.

[5'03" Lifeboat Stage 3 - The Bank of England and Wallace Brothers, Slater Walker, Edward Bates[xxii]]

A: The third group.

Q: Ah.

A: The third group, which was as it were the sort of, erm, the further working out of the sort of asset crisis.

Q: Right.

A: Were three authorised banks, Wallace Brothers, Slater Walker, and Edward Bates. Who probably in 1975/76 got into trouble. They were never in the Lifeboat to my memory. And the Bank worked out accommodations for each of them, which differed in the sort of the detail, but had the effect that each was divided into a good bank and a bad bank. Erm, no depositor lost any money. The bank arranged the disposal of the good, the saleable parts, and then worked out the assets in the, you know the poor, the bad bank part of it. Erm, using, usually using a merchant bank or professional bankers to help in the work out. I mean Hambros helped with Edward Bates. I think Hambros might also have helped with Slater Walker. And I can't remember who did Wallace Brothers. Oh Standard and Chartered did Wallace Brothers. Copus, George Copus.

[6'45" Concerns about public sector liability, the Bank of England and the Treasury]

Q: What is interesting of what you've been saying about the Bank's, the Bank of England's involvement is that patently it was taking on significant liabilities. It is effectively a public body, public sector body. We had talked about the publicity and the way that the Bank said, well this is, if you like, our problem we are dealing with it, but politicians and the Treasury et al were rather concerned. That concern about the Treasury presumably there must have--, well there must have been concern about the Treasury. What was the Treasury's major concern about it all? Apart from the financial stability of the country.

A: Well I think, I think if you over simplify it you can say that the Treasury and the poli--, the politicians at the Treasury were very pleased that somebody else was doing something which was, obviously, effective, was not causing great sort of traumas, etcetera. So at the beginning they were told what was going on in broad terms and, I mean, acquiesced a bit. As it got further on there were, I think, there became people within the Treasury, not the politicians, but the Treasury officials who began to wonder whether the public purse was being affected. And in the early situations, well actually throughout the whole of the Lifeboat the Bank could argue that it was not making any direct claim on public money at all. What it was doing was using its balance sheet.

Q: Right.

A: Right. I mean, you know it did not have to ask the Treasury for any guarantee. It didn't have to ask the Treasury for any further money, etcetera. It was using its balance sheet in what you would call a 19th century traditional way in which the central bank used its balance sheet. A purist in the Treasury could argue that because in using its balance sheet the Bank was incurring some bad debts and therefore its profitability, its profits were being eroded or were less than they would otherwise be, and that therefore the Treasury in the annual debate as to how much of the Bank's profits went to the Treasury and how much stayed with the Bank, the Treasury were likely to get less than they would otherwise have got. I.e. there was an indirect diminution of the public purse. [Laughs]. But that, sorry, but that was never became a serious issue. I mean it became, it became, I mean there was always a discuss--, particularly later on when the question of what the size of the Bank's provision should be, there was always a sort of Treasury presence, at official level sort of it didn't really--, but it never turned into an issue. And you can distinguish that between that and what happened in '84 with Johnson Matthey because then the Bank decided that not only would it, erm, protect Johnson Matthey, but it actually, I think was it 50 million? It made a direct contribution of 50 million in. And the Chancellor[xxiii] at the time was not told about it, and the Chancellor at the time was angry when he found out about it. But erm--,

Q2: Well I've slightly got a supplementary question, which I think sort of fits in with your second comment there, Roger, because I guess it's easy for us now, some 40 years later to forget that probably the Treasury had bigger fish to fry, had bigger worries on its hands. Because we got into the situation of the IMF loan in '76[xxiv], and Treasury officials really, probably from the collapse of the Barber boom, of which this was, obviously, part. But there was the whole wider issue of the economy probably.

Q: And miners' strikes.

Q2: Yes. So I wonder if that might have, you know slid it down their agenda anyhow?

A: Well possibly, but [clears throat], I think the Treasury's sort of what do you call, sort of flanking movement on the Bank and involvement got strong during the '70s late, particularly on foreign exchange policy and etcetera. But at this stage the Treasury naturally had a more, well, keep us informed mode, rather than we want to be, you know, consulted about decisions.

Q2: Right.

A: And so I don't think it was particularly that they were distracted, I think at that stage the Treasury mode was more keep us informed, but you know we're not going to try and crawl over you.

Q2: Okay.

[12'50" The characters round the Lifeboat Committee table]

Q: One thing we haven't really talked about are the, if you like the characters around the table. Now you were there at the start, so we're talking effectively Christmas '73, January '74. How long were you actually sitting at the table?

A: A year I think.

Q: Oh I see, so--,

A: I did the first year.

Q: Up to about '74/'75.

A: I was certainly, I probably moved on to my next job first quarter of '75.

Q: Right. But obviously, you--,

A: So I saw the first year, year and a bit through.

Q: And that was really--,

A: I was certainly there when NatWest, you know share price went under par, and we had the big discussion on, you know the limitation of the--,

Q: Which we talked about last time didn't we?

A: That's right. But I had left the committee before Johnson Matthey, and before Edward Bates, and Wallace Brothers, and Slater Walker came up.

Q: But patently you knew what was going on.

A: Yeah. Well I was, erm, [clears throat], I was actually a director of the EBSI, which was the workout company for Edward Bates. So I knew Edward Bates by the time it finished very well.

Q: EB being Edward Bates.

A: Edward Bates. Yeah I can't remember what SI was.

Q: What the SI--,

A: Yeah.

Q: Securities and an 'I' probably, yes.

A: Yeah.

Q: Insolvency it could be.

A: And that was our company, which worked out the bad assets.

Q2: Can I ask one supplementary question? You mentioned that you were on the inspection committee for one of these--,

A: London and County.

Q2: For London and County. And was that a completely separate role to you being on the Lifeboat, and carried on longer?

A: Oh yes.

Q2: How did that work?

A: I was appointed by the Bank. I mean of course the Bank was a major creditor.

Q2: So you were the Bank's main representative?

A: I was the Bank's representative, yeah.

Q: That would be the creditors' committee?

Q2: Yes.

A: That was the creditors' committee.

Q: Yeah.

A: No, well, mm.

Q: Oh.

A: Yes it was the creditors' committee, yes. Yeah.

Q: Which would be normal sort of insolvency.

A: And the, erm, insolvency was run by a man from Spicer and Pegler called Richard Langdon.

Q2: Okay.

Q: So coming back to the table. Well first of all, your boss Jasper?

A: Well he was a magnificent man, I have absolute admiration for him. He was totally unflappable. Erm, he had the sort of face, erm, which was, a sort of inscrutable face. I mean, you know it wasn't inscrutable dull, it was fairly lively, but I mean a warm, but you could never, you would never tell from what you saw as to what Jasper was thinking. He spoke very clearly, quite a low voice, but always audible. If he was making a point, which he, you know, a decisive point, it was always absolutely clear, nobody ever said--, nobody would--, there was never any sort of fudge about Jasper. He either said nothing or it came out and you knew precisely where you were. He handled this disparate group of men, erm, some of whom initially were a bit reluctant, remarkably well. I can't remember if I told you last time my story of Jasper and Triumph Investment Trust?

Q: I thi--,

A: Well, I’ll repeat it again 'cause it's worth it.

Q: Let's repeat it, yes because I think it's a very good, if it's the same one I think it's a very good story.

A: Yeah. Erm, Triumph Investment Trust we decided that we would only accept as true deposits, i.e. ones we would protect, ones which had an initial maturity of less than five years, one day.

Q2: Yeah, that's the one.

A: Yeah I think, if you've heard it it's already on the record.

Q: We definitely had that before.

A: Yeah.

Q: Yes, and it was excellent.

A: Well I mean that's, anyway you remember it ended up with we having had a difficult interview, and Jasper had got slightly cross and he pressed his hands together and looked through the bottom of his spectacles. And when we came back in the room he said, “It was a very good thing the man said that, it enabled me to lose my temper.” [Laughs].

Q: Not in the way that most of us would lose our temper, [laughs].

A: Well.

Q: So you talked about this dis--,

A: And he had a--,

Q: Oh I'm sorry. I'm so sorry.

A: And he had a fanta--, he had a very good practical banker’s grasp of all the issues. He was not a great--, I mean he was an intensely practical man.

Q2: He wasn’t an economist was he?

A: He wasn’t formally, no.

Q2: No.

A: I mean he joined the Bank at 18.

Q2: Yes.

A: As a clerk.

Q2: A breed that doesn’t exist anymore.

A: But he wasn't, he wasn't dismissive of the theorists. It's just that his cast of mind was always intensely practical. And he was very impressive.

Q: And of course you talked about disparate characters around the table. And looking at the list you realise that you've got some both, yeah, fairly powerful characters as well as being, all of them very practical bankers. And I wonder whether you can just pick up two or three who maybe particularly stood out?

A: Well I'll pick out of the first bunch. Initially the committee divided into a group of people who were really rather relieved that the Bank was in, and that was NatWest, Sidney Wild, 'cause I mean, Dibbs, Alex Dibbs and Sidney Wild. Well Sidney Wild supposedly turned up for the bank anyway. Alec Ritchie of Williams and Glyn's, who had quite a lot of problems. And then we had the ones--. So there were one or two like that who were quite relieved that their problems were being shared. Then you had all the other side, you had the people who, [laughs], felt a bit holier than thou because actually they'd seen it all coming, and you know, and particularly I mean the Scots, the chap from Clydesdale who didn't know anything in sight what the hell he was doing, etcetera.

Q2: They felt dragged into the process?

A: Well they'd been told to get in there, you know. A man called Bill Smith from the Clydesdale, who was the London manager of Clydesdale was, you know, told to get in there. But he didn't, you know, couldn't see why he should be involved. Clydesdale hadn't done this stupid banking, etcetera. And of the big ones the one who probably felt the nearest to that was, erm, Midland, Stuart Graham. And I mean, and I've probably told you before, his Chairman, Archie Forbes, was the Chairman who had the biggest argument with Richardson before Christmas about setting the thing up.

Q: Yes.

A: And so Stuart came in, erm, not on the basis, you know, on the basis that well I won't go and do anything stupid, you know, in his watch. And one of Jasper's skills was that he managed to get that disparate team with a different kind of, you know, actually working cohesively together. And you didn't have, I mean Sidney Wild probably had to make more presentations because the NatWest was the related bank for more people in the Lifeboat. So Sidney was probably talking more often about what they'd found, etcetera. But erm, Jasper ensured that nobody round the table as it were, sort of sneered or rubbished the person making that. And it was very good.

Q: I imagine also, you talked about NatWest, but presumably Barclays had a fair chunk of it?

A: Barclays had a bit.

Q: Ah.

A: They didn't have that many. NatWest had the most. For their size Williams and Glyn's had more than you'd expect. Then Barclays. Lloyds had very--, Lloyds' only big one was they were the lead banker for Triumph Investment Trust. [Laughs]. And there was a man called Eric Vaughan, who was the Lloyds first rep. But he used to send as his deputy, Brian Pitman, along occasionally.

Q: Oh, yes.

A: [Laughs]. And I can remember the meeting at which, erm, Lloyds said, Triumph is dead in the water, you know, etcetera, and where it was agreed that it would go into liquidation or receivership, but the Bank would pick up the, erm, you know the loose depositors and look after them. And later that evening I was beavering away in my office, sorting out this problem, and Pitman came in, dropped in, and said, “Ah,” he said, “You're busy then?” I said, “Yes. Bugger off.” [Laughter].

Q2: That's some sort of signal to the market apparently.

A: I don’t know.

Q: So, yes going round the, yeah, going round the table, I mean so the first wave you so patently remember Sidney Wild and Stuart Graham. And then others came in who actually impinged if you like on the memory?

A: Yes, well I suppose in the second generation, erm--, well actually the first generation we had John Quinton from Barclays, who was--,

Q: Initially, yes.

A: Who was I mean always, it's very clear that he was, you know, a very competent banker.

Q: Yes.

A: But when he sort of went off he was followed by Jim Dyson, who was your archetypal no nonsense lender. I mean he called a spade a bloody shovel would Jim, [laughs].

Q: And then--,

A: A very combative man. In a nice way, but I mean definitely combative.

Q: Yes, certainly many people say so.

A: I only just overlapped with Jim, but he always brought. The atmosphere did change slightly after--, for the first year when it was all in crisis mode and we were meeting about, you know, often twice a week, etcetera. I think we had our 100th meeting sometime in February ’74, ’75.

Q2: So that was a very intense period?

A: Yeah that's right, yes. I think it then became clear to everybody that actually we were on top of the problem and it was just a question of working it out. And at that stage the sort of, the competitive element between the clearers began to show itself slightly. As I mean, you know, it was a question of who was going to get the best pickings really rather than, you know. And the discussion round the table became probably a little more detached. But that first year it was, you know, it was a very strong sort of team spirit, you know, strong bonding.

[25'50" Len Mather (Midland) and UDT; Doug Horner (Barclays) and FNFC]

Q: When we spoke before you described what I might call stage two, and we talked about it today. The property crisis, which then really allowed the Lifeboat to balloon to a significant extent. And of course it was names like UDT, and FNFC, and others who then, and Mercantile was another one. Presumably then, you know and I know that the clearers put in people to help run those.

A: Yes.

Q: But were there characters there?

A: Oh definitely. They used to, erm, because the Midland put their newly retired General Manager Len Mather into, erm, Forward Trust. Barclays put Doug Horner into FNFC.

Q: Sorry, just to come back. Len Mather you said Forward Trust or UDT?

A: Oh which one?

Q2: I think it was UDT.

Q: I think it was UDT.

A: UDT, UDT. Oh right. Yes that's it. Yeah. Yes it was Forward Trust they already had didn't they?

Q: Yes.

A: They already owned Forward Trust.

Q: That's right.

A: UDT. I can't remember who was put into Mercantile[xxv]. But unusually the chaps who'd been put in were, when we came to discuss those banks, they came in.

Q: Right.

Q2: Right.

A: I mean as it were sort of, and were sort of temporary members of the Lifeboat.

Q: Because they would have been significant--,

A: Yeah, well obviously, they knew more about it than, erm. And I suspect, I mean one of the interesting things was that once they got en poste they tended to be more Roman than the Romans, [laughs].

Q: They went native.

A: They went native.

Q: [Laughs].

Q2: And some.

A: Well yeah, and some. I mean, you know Len Mather being a powerful personality was just as much a powerful, powerful personality protecting what he saw the interests of UDT as he had been protecting the interests of Midland. And Doug Horner was the same with FNFC, I mean you know he wasn't going to have them slagged off, I mean, you know, [laughs].

Q: It was his, so there we are.

A: That's right. And erm, and I think, I think, you know, they ought to be respected for that because they undoubtedly meant that although, you know, at the time when any of these ones were reconstructed or bought the deal which was done, you know, was a better deal for the old shareholders of the things than it would have been if those men had not been, you know, so obviously, indepen--, or sufficiently obviously, independent.

Q: So actually it's been a, yes it's been lovely hearing some of those characters sort of come out. I have to say that I have no further questions of my own. I'm terribly grateful for you for, well both your memory and also the way you've expressed it all. I wonder whether Gerald have you got anything to?

[29'22" Closing thoughts; possible lessons learned for the future?; why another Lifeboat would be unlikely]

Q2: Well I just wondered have you got any sort of overarching sort of closing thoughts on this? And it may sound slightly sort of portentous, but are there lessons still to be learned? We all know banking and finance tends to be cyclical. Do you think that lessons learnt then should and will be remembered in the future?

A: I think, I'm afraid that the Lifeboat was probably the last time in the context of the way in which banking has gone that a mutual support exercise of that sort could have been put together. I actually doubt it would be extremely difficult to put together that degree of mutual support. And the reason for that is that however you look at it, erm, from about 1935 the British banking system was effectively a cartel.

Q2: Yeah.

A: And as in all cartels the members of it see value in retaining, you know, the purity of the cartel 100 percent. And the clearers still felt that, erm, they in a sense owed a duty to the country. I mean they were--, even though it was beginning to erode, but you know they had all been brought up, all the people who ran the clearing banks had been brought up in the War or just after the War. They'd learnt how to get on, they'd gone through the sort of that where, you know, in a sense the banks felt themselves as being part of a national purpose.

Q2: And in retrospect it was right at the end of an era that then led on to all the globalisation of finance in the 1980s.

A: Oh yeah, that's right yeah.

Q2: And so then the whole landscape completely changed.

Q: Yes, five or ten years later it was a different world.

A: Well yeah, from about, I mean the, you know, the cartels began to be broken up by about '69/'70. You know the competition pressures. I mean it wasn't, it was not an error that the great Credit Control change of 1970 was called Competition and Credit Control. Because the half of the thing was actually to allow the clearing banks to break out of the cartel and genuinely compete, having had 30 years of, you know, of having everything controlled for them. Erm, [pause]. Roll forward to Johnson Matthey in '84/'85. Erm, very difficult for anybody to see that as systemic in the clearers. The Bank made an attempt to say it was a gold market system issue. It didn't quite work. I mean, you know, er, and so the Lifeboat model didn't work for Johnson Matthey. And I mean if you roll forward another ten years to Barings, absolutely there wouldn't have been a hope in hell of putting together a mutual support thing. So I would say that in a sense the Bank was fortunate in that the Lifeboat crisis arrived at the tail end of the cartel environment, at which a mutual support model was still viable.

Q2: There were both economic reasons and maybe, erm, or as you say almost a social feeling of keeping the London market together.

A: Yeah, I mean I think there was just enough worry among the big boys about bad debts and the rest of that there was an element of self-interest. And so the combination of some self interest, and a wish to, sort of feel good for doing the national good meant that it cohered. I therefore think that it's quite difficult to draw conclusions which are helpful in a highly competitive international thing.

Q: I think on that note, which I think is both wise and actually very interesting, erm, we will say thank you so much Roger for your time, and indeed all the information that we have gleaned from you. Thank you.

A: A pleasure.

Q2: For good order, before you--,

[END OF RECORDING – 0:34:35]

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[i] British Bankers' Association
[iiii] Sidney Wild, Deputy Chief Executive, National Westminster Bank
[iii] Alex Dibbs, Chief Executive National Westminster Bank
[iv] Sir Timothy Bevan, Chairman Barclays Bank
[v] Sir Jasper Hollom, Deputy Governor, Bank of England; Chairman of the 'Lifeboat' Committee
[vi] Sir Gordon Richardson, Governor, Bank of England
[vii] Sir Archibald Forbes, Chairman, Midland Bank
[viii] John Quinton, General Manager, Barclays Bank
[ix] Evan Vaughan, General Manager, Lloyds Bank
[x] Alec Ritchie, Executive Director, William & Glyn's Bank
[xi] First National Finance Corporation
[xii] United Dominions Trust
[xiii] In a Hire Purchase (HP) agreement, the hirer acquires an asset by paying an initial instalment (e.g. 40% of the total) and repays the other part of the cost of the asset over a period of time.

[xiv] Sir John Prideaux, Chairman, National Westminster Bank
[xv] Kenneth Cork, partner, Cork Gully, the pre-eminent insolvency practitioner at the time; later Lord Mayor Of London, 1978-79.
[xvi] Douglas Horner, Regional General Manager, Barclays Bank
[xvii] Leonard Mather, former Chief General Manager, Midland Bank
[xviii] 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.
[xix] William Stern was the owner of the Stern Group of property companies. When the Group collapsed, Stern became Britain’s biggest bankrupt with debts of £118m.
[xx] Sir John Ritblat, property developer, was formerly Chairman and CEO of The British Land Company plc.
[xxi] Osias Freshwater, one of London’s biggest private landlords, stepfather-in-law of William Stern.
[xxii] In October 1975, Slater Walker Securities was provided a line of credit by the Bank of England. In September 1977, its banking company and some SWS property were taken over by the Bank. Edward Bates’ remaining assets were vested in EBS Investments, a subsidiary of the Bank, for realisation. Wallace Brothers was offered a line of credit of £10-12m by the Bank of England. In December 1976, the Bank called on Standard Chartered Bank which, not being a clearer, was not part of the Lifeboat, to take over Wallace Brothers. The Bank provided a line of credit of £20m to Standard Chartered, but it was little used.
[xxiii] Nigel Lawson, Chancellor of the Exchequer, June 1983 – October 1989.
[xxiv] In the face of pressure on the pound, increasing inflation and defeat of the Public Expenditure White Paper (March 1976), the UK Government led by Prime Minister James Callaghan applied in September 1976 to the IMF for a $3.9bn loan, the largest in the Fund’s history. It was conditional on drastic cuts to public expenditure and the budget deficit. Dennis Healey, Chancellor of the Exchequer, pushed through public expenditure cuts of 20% in December 1976. The pound recovered and the UK showed a positive trade balance in 1977.
[xxv] Mercantile Credit was bought by Barclays Bank for £32m in 1975.