

Worshipful Company of International Bankers Oral History Collection

Interview Summary Sheet

Title Page

Ref. No.:

Collection title: Old City, New City (1979-86)

Interviewee's surname: Purves

Title: Sir

Interviewee's forenames: Willie

Sex: M

Occupation: Chairman and Chief Executive of HSBC Holdings

Date of birth: 1931

Father's occupation: Farmer

Mother's occupation: Headmistress

Date(s) of recording: 4.12.19

Location of interview: 39 Elizabeth Street, London, SW1W 9RP

Name of interviewer: John Thirlwell, Gerald Ashley

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Introduction and background	#00:00:00#
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The huge trade and the Great Storm and Black Monday, October 1987	#00:05:20#
Comparing London and Hong Kong	#00:09:44#
The risk of Japanese banks and the yen depreciating	#00:11:30#
Buying Midland; Margaret Thatcher	#00:13:06#

Interviewee: Sir Willie Purves
Interview Date: 4 December 2019
Interviewers: John Thirlwell (Q1), Gerald Ashley (Q2)

[0'00" Introduction and background]

Q1: Interview with Willie Purves, interviewers Gerald Ashley and John Thirlwell. The date, 4 December 2019. Willie, what year were you born?

A: I was born in 1931.

Q1: And your parents were?

A: In the borders of Scotland and er, educated at Kelso High School. At sixteen became an apprentice in the National Bank of Scotland, called up for my National Service and went back to the National Bank. And having been in the Far East for my National Service, and er, after two years there, decided I was still sponging off my widowed mother, and that the bank would not pay me a living wage. So I sought fortunes elsewhere, joined Hong Kong and Shanghai Banking Corporation and a year later I was in Hong Kong. And from there I eventually became group chairman of HSBC Holdings.

[1'20" Big Bang and HSBC; buying Antony Gibbs and James Capel]

Q1: We're interested, for the purposes of this interview, we're interested in the period of financial history from 1979 through to Big Bang of '86. Now obviously you were in the Far East all of that time I presume?

A: Yes.

Q1: Um, did Big Bang impact your part of the world dramatically or not?

A: Yes well I took over as chief executive in '86 but I was in charge in the previous year of all our operations outside Hong Kong. I don't think it had much impact on them but during that period, we were trying to catch up. We had an attempt at the merchant bank but er, the chairman at the time, Guy Sayerⁱ felt that we needed to get assistance from London. He had connections with Antony Gibbs and er, somebody came out from Antony Gibbs to teach us about investment banking. I think the choice was a little unfortunate because although they were members of the gold committee, they were quite strong in Chile, their position in London was quite weak then –

Q2: They were quite a small firm [both talking at once].

A: Very small, so that really wasn't terribly successful but we ended up, because of this association, buying Antony Gibbs. And then it got into all sorts of financial trouble and we closed it down. We kept what was in Chile for a bit and, er, they were one of the first British companies ever to set up in Santiago. So there was that interest but we, as HSBC, unfortunately didn't gain a great deal from that association. And of course at that time, Big Bang was coming up and we thought that we should – I wasn't involved in the decision making but I was on the verge of it. And our brokers were Panmure Gordonⁱⁱ and if we'd associated with Panmure Gordon I think that would have probably been a better way forward. But they were quite small. James Capel were a leading name and our manager in London at the time favoured James Capel. Um, so we ended up buying James Capel, then discovered that – and I think it applied to most brokers in London, it was very much an individual's business, each partner had his own clients, most of it was done on the back of an envelope. And their accounting system was appalling and er –

Q2: So you weren't buying assets as such, you were buying people I suppose?

A: Buying people, and unfortunately the chairman of the time who was a fairly elderly gentleman, chairman of James Capel, said he would stay but didn't stayⁱⁱⁱ. And we found ourselves with a

young bunch of keen gentlemen to plough their own furrows rather than the benefit of HSBC. And they got a bit out of control and the most famous one was – in those days they used to have these, what were they called? Some kind of trade that a big company who wanted to change their portfolio on a Friday afternoon.

Q1: Bed and breakfast.

[5'20" The huge trade and the Great Storm and Black Monday in October 1987]

A: Ah, offered a package of shares, multi companies, around the City to maybe one or two brokers. Well, maybe I said Friday, I think it might have been Thursday. Anyway, but even Thursday or Friday, Capel won this and it was multi million dollars. You may recall the weatherman said this storm is not going to affect –

Q2: We're in October '87^{iv}.

A: This is not going to affect Britain, but overnight Kent and all the way up to London were absolutely smashed. So much so that nobody could get into the Stock Exchange the following day. And James Capel is sitting on this pile of stuff and the market fell over ten percent. So what did he do? He telephoned the parent company and said, "Oh we're in terrible trouble," and they had to be bailed out. That's one of the great stories of James Capel.

Q2: Because the Friday there'd been the sell off and then the actual Black Monday was [both talking at once].

A: Black Monday, so that must have been Friday, they must have closed the thing at about four o'clock on the Friday with the intention of selling it off by Monday.

Q2: And in fact in London, the Bank of England declared it a non-banking day because nobody could get in and all the rest of it. It was a –

A: But you can imagine, you're sitting in Hong Kong and not knowing what the loss was going to be, so we weren't very well pleased.

Q2: So this is where the broker had got principal risk and –

A: Absolutely.

Q2: And probably was not familiar with the ins and outs of principal risk?

A: Well they knew what was – and I'd say I was just getting involved in the whole operation but it was quite shock and some of these gentlemen at the top, there were three or four of them, who are no longer in the business and no longer in the City, as far as I know. But they started squabbling among themselves and it ended up – actually, strangely enough we had something left and that something left still exists in a way, whereas at that time you may recall Citicorp bought [both talking at once].

Q2: Vickers da Costa I think they bought them, you know.

A: Yes, well we looked at Vickers da Costa and the board of Vickers da Costa was split, and the chairman who I knew, lovely gentleman called Vickers, as chairman thought he better stay with the young turks in London. So instead that went to Citicorp^v. They also bought what was the jobbers, they bought jobbers and brokers, and not just Vickers da Costa, they bought another –

Q2: Was it Pinchin Denny?^{vi}

A: I don't remember.

Q2: We'll have to look it up.

A: Anyway, I mean, it didn't work and they were left with nothing. I think they had three firms, all closed down and left with nothing. We were left with a fair bit of James Capel and they recovered from this Black Friday of course, or Black Monday, I can't remember what it was called.

Q2: It was Black Monday, yeah [both talking at once].

A: They recovered from that, took their losses. We had to put a lot more capital but they recovered and were doing quite well up to a point. But they didn't understand, you know, they were young turks and they weren't going to be told by colonial bankers in Hong Kong what to do and what not to do.

[9'44" Comparing London and Hong Kong]

Q2: One thought occurs to me that London, pre-Big Bang, had been quite a sort of cosy cartel and you know, insiders' club.

A: Oh very much so.

Q2: Whereas Hong Kong was probably much more international with your own experience. Was there a feeling that London was well behind in all that?

A: Oh we thought London was pretty old fashioned, but please bear in mind that Hong Kong was a village, it was not an international centre. And that in 1973, I had been a chief accountant of the – something of a misnomer, I was chief lending officer and a few other things in the Hong Kong banking – in the main Hong Kong office and was very much involved with that. Unbelievable '69 to '73, boom, you could have torn up a newspaper and sold it.

Q2: The mining boom [both talking at once].

A: Well I was in charge of all these new issues and er, that came to a grinding halt in April '73. Nothing to do with me, I was due to be replaced by a more senior man actually, from Singapore. And I was sent to Tokyo, when you got to Tokyo it was still pretty Japanese but there were a couple of English language newspapers. Hong Kong was never mentioned. From being, what I thought, seemed to be a pretty big potato in the village of Hong Kong, I realised that Hong Kong really didn't count. However important it was and however – in Japanese terms, nothing.

[11'30" The rise of Japan banks and the yen depreciating]

Q2: And of course it was the huge rise of Japan and the Japanese banks grew enormously during that period.

Q1: At that time.

Q2: And it obviously ended in tears and all the rest of it, but it was that period where they were becoming very, very major banking institutions weren't they?

A: Yeah, and that's when the yen started depreciating.

Q2: Yes, yes.

A: Can you imagine 360 to the dollar.

Q2: It was fixed after the War at 360.

A: 360.

Q2: I recall a story of Lee Iacocca from Chrysler saying that dollar/yen was around 200 and if it was 150, Chrysler would wipe the floor with Japanese industry and cars [both talking at once]. Didn't work.

A: Now 360 was fixed and sterling was 1,040.

Q2: Right, that I didn't know.

A: Well there was not much activity in sterling but the bank – we made the market and fixed the sterling rate. Every morning I'm talking about '64, and at the end of '64 there was talk about the yen being devalued.

Q2: Really?

A: And within a few months, not only was it not devalued, it started moving the other way.

Q2: Other way? This was – and in Europe we had a similar thing with the deutschemark, the deutschemark was constantly revaluing and it was the same with the yen.

A: Anyway, it was interesting, Big Bang, that's what happened to us. What else was happening then I'm not sure.

[13'06" Buying Midland; Margaret Thatcher]

Q1: Of course, you were buying Midland^{vii} at exactly the same time.

A: Midland, that's right. Well I was –

Q1: And '86, I mean was when –

A: By then I was chief executive and I was very much – I mean, with some help, and that was very interesting because I used to – I had become during the lead up – I mean, the Bank of England did not want us to buy Midland Bank. [Pause] I got fed up with being pushed off, er, they thought, it seems, that if we bought Midland Bank when '97 came along we would withdraw all the deposits because we would need them to keep us alive. Anyway, what actually happened was that I got so fed up, I said to the governor of Hong Kong, "I'd like you to arrange a meeting with the Prime Minister," Mrs Thatcher^{viii} then. Well, that was arranged, I came off the plane, had a shower and found myself at just before eleven o'clock and, about twelve minutes to eleven, was ushered in. And there was the Prime Minister who I'd not – well I'd met, I'd shaken her hand somewhere but I didn't know her. And I'd never been in Number 10 and she had her Private Secretary, er, Charles Powell^{ix}, just the two of them. And I said my spiel, how I was frustrated that we wanted to buy, we wanted to invest in the country etc. That the head office be, uh, transferred to London at that time and this was, well partly but not solely for political reasons. And she listened very carefully and at eleven o'clock there was a knock on the door and a messenger came in with a piece of paper, handed it to Charles Powell. He looked at it, he nodded and [pause] I thought, what the hell's going on here? That was the moment Heseltine threw his hat in the ring to oppose her.^x And I'm sitting there with the Prime Minister, well I er, she didn't really – she blinked a bit, but I realised that things were happening so I said, "Well Prime Minister, I'm not going to detain you any longer, you're very busy. Thank you for seeing me." And she rose up, she said, "Now Mr Purves, you go ahead and do what you want to do and I wish you good luck. Good morning." And –

Q2: She wasn't a fan with the Bank of England was she? So you may have had an ally there.

A: The opposition disappeared [laughs].

Q2: [Laughs] The way was forward.

A: The way was forward and we still had a battle with Lloyds but we were –

Q2: Well at least you could have the battle because you were blocked –

A: Absolutely, yeah I wasn't being blocked for long. So that's a rather interesting –

Q1: Well, thank you very much for this. Excellent.

Q2: That's a great story to end on. Thank you so much again Sir Willie, thank you.

[END OF RECORDING: 0:16:46]

ⁱ Guy Sayer (1924-2009), Chief Manager of HSBC 1972-77, followed by Michael Sandberg (1927-2017) as Chairman and Chief Executive 1977-82.

ⁱⁱ Panmure Gordon & Co was bought by NationsBank in 1987, then WestLB in 1996 and eventually by Lazard in 2004.

ⁱⁱⁱ HSBC bought James Capel in 1984. The Chairman in James Capel was Peter Quinnen.

^{iv} A Force 10 storm raged the evening of 15/16 October 1987 in the UK, which brought down approx. 15m trees. In the evening of Thursday 15 October, the Meteorological Office had suggested there would be winds, but mainly rain. As a result of 'the Great Storm', the Bank of England declared a 'non-business day' on Friday 16 October. On Monday 19 October, stock markets crashed, shedding a huge value in a very short time.

^v Citicorp 29.9% of Vickers da Costa in 1985, and then 95.1% in 1988.

^{vi} Pinchin Denny was acquired by Morgan Grenfell, which itself was acquired by Deutsche Bank (1990).

^{vii} HSBC was bought by Midland Bank on 25 June 1992, following a hostile offer in 26 March 1992.

^{viii} Margaret Thatcher (later Baroness Thatcher) (1925-2013), Prime Minister 1979-90.

^{ix} Charles Powell (later Baron Powell of Bayswater) (1941-), Private Secretary (foreign policy adviser) to Margaret Thatcher (1983-90) and John Major (1990-91).

^x Michael Heseltine (later Baron Heseltine) (1933-), Conservative MP 1966-2001, Deputy Prime Minister 1995-97 under John Major. Challenged Margaret Thatcher for the leadership of the Conservative Party in November 1990.