

## Credit restriction

*Letter of 31st January 1969 from the Deputy Governor of the Bank of England to the Chairman of the Committee of London Clearing Bankers*

Following the publication on 24th January of the latest Clearing Bank figures, we have discussed with you and your Committee the question of credit restriction. These latest figures show that, while growth has been contained, little progress has yet been made towards meeting the revised target for private sector lending set last November – 98% of the November 1967 level for the restricted categories of lending. To meet that target the Clearing Banks will need to achieve a reduction, after normal seasonal adjustment, from the private sector of about 3 percentage points, or some £150 million, by mid-March.

While the Bank of England acknowledge the efforts the banks have been making to restrict credit, we must also re-emphasise the importance attached to the achievement of this target, and stress that renewed efforts by the banks, bearing results quickly, are now required.

The credit restrictions introduced last May, and intensified last November, have always implied a reduction in lending by the banks to customers who do not fall within the high priority categories. This was made clear in the Bank's Notice of 30th August last and repeated in the Notice of 22nd November. The latter stated:

“ . . . While existing commitments will be respected, many customers of the banks whose borrowing is not of the highest priority for credit control purposes can therefore expect to be asked to effect as soon as possible a substantial repayment of borrowing outstanding. . . .”

It now seems necessary for the banks sharply to increase their pressure for repayments. While this should bear most heavily upon lending for consumption and other personal needs, pressure will also have to be extended to all categories not commanding the highest priority.