

Bank and finance house lending

Notice issued by the Bank of England to banks and finance houses on 30th March 1971

The Chancellor of the Exchequer announced in his Budget Speech this afternoon that it is intended to put forward for consideration by banks and finance houses proposals for changes in the techniques of monetary control, but that, for the time being, it will be necessary to maintain guidelines on lending.

The Chancellor further stated that it would not be inconsistent with current general objectives if, for the present, lending subject to restriction were to grow at a rate of about $2\frac{1}{2}\%$ a quarter.

The London and Scottish Clearing Banks are therefore now asked that their sterling lending to the domestic private sector and to overseas borrowers (other than fixed-rate lending under the special schemes for export and shipbuilding finance) should not rise in the aggregate during the quarter to mid-June 1971 to more than about $7\frac{1}{2}\%$ above its level at mid-March 1970 (after allowance for seasonal influences). The level set for the London Clearing Banks takes account of some temporary displacement in the seasonal demand for advances arising from the postal strike. Other banks individually are similarly asked not to allow such lending to rise to more than $9\frac{1}{2}\%$ above its level at mid-March 1970 during the same period. All banks are asked to apply the same limitations to the growth of their sterling acceptances outstanding.

The members of the Finance Houses Association and other finance houses receiving this Notice are similarly asked that their outstanding lending should not rise by end-June 1971 to more than $7\frac{1}{2}\%$ above its level at end-March 1970.

Since this guidance is given in the first instance for only a relatively short period ahead, both banks and finance houses are advised against entering into commitments during this period which would subsequently involve the expansion of their outstanding lending at a significantly faster rate.

Subject to the foregoing, the terms of the Bank's Notice of the 14th April 1970, in particular the guidance relating to the direction of lending and the terms of personal loans, remain unchanged.