

Credit control

Notice to banks and deposit-taking finance houses issued by the Bank of England on 12 November 1974

In his Budget Speech today, the Chancellor of the Exchequer indicated that it was desirable to continue the restraint on the growth of money supply and bank lending exercised by the supplementary special deposits scheme. The application of the scheme will accordingly be extended for a further six months.

In this period the freely permitted monthly rate of growth of each institution's interest-bearing eligible liabilities, by reference to which calls or repayments of supplementary special deposits will be assessed, will continue to be 1½% of the average of each institution's interest-bearing eligible liabilities on the make-up days in October, November and December 1973. The rates of deposit required of institutions exceeding the permitted rate of growth will be: in respect of an excess of 3% or less, the rate will be 5%; in respect of an excess of over 3% but not more than 5%, the rate will be 25%; thereafter, the rate will be 50%.

The institutions liable to lodge supplementary special deposits will continue to be all banks (other than those in Northern Ireland) and deposit-taking finance houses.

The application of these arrangements will continue to be kept under review and to be capable of being varied and operated flexibly.

The requests to banks and finance houses set out in the Bank's notice 'Consumer credit' of the 17th December 1973 remain in force.

Banks and finance houses are asked to maintain their existing restraint on lending to persons and for purely financial transactions. Restraint on lending to property companies should continue to be exercised as strongly as is compatible with avoiding aggravation of the present difficulties of such companies.

Note

Simultaneously with the extension of the supplementary scheme, the Bank introduced new arrangements for banks with only small amounts of interest-bearing resources (see March *Bulletin*, page 39, for the previous arrangements). Banks are now to be exempt from the requirements of the scheme for as long as the three-month average of their interest-bearing eligible liabilities lies below £5 million. On attaining an average of £5 million or more, a bank becomes subject to the scheme. Its subsequent liability to make supplementary deposits will be calculated on a basis that matches that applied to banks already subject to the scheme.