

Credit control notice

Notice to banks and deposit-taking finance houses, issued by the Bank of England on 26 March 1980.

Supplementary special deposits

The Bank of England announces that, with the approval of the Chancellor of the Exchequer, it has decided to terminate the supplementary special deposits scheme when its present period of operation ends in June 1980.

The final calculation of any liability to make supplementary special deposits will be based on the average of each institution's interest-bearing eligible liabilities on the make-up days for April, May and June 1980. Any supplementary special deposits arising from this final calculation will be lodged on 14 July 1980 and repaid on 11 August 1980.

The ending of the supplementary special deposits scheme does not imply relaxation of monetary restraint. This is evidenced in the target, announced by the Chancellor of the Exchequer today, for a 7%–11% annual rate of growth of sterling M₃ during the period from mid-February 1980 to mid-April 1981. Without some moderation in the recent growth of bank lending to the private sector, achievement of this target will imply continuing pressure on the liquidity of the banking system.

In these circumstances, banks and finance houses are requested to have particular regard to the Bank's guidance (set out in its notice of 11 April 1978) on the direction of their lending. This guidance asked banks and finance houses:

- (i) to provide, within the bounds of banking prudence, finance required for both working capital and fixed investment by manufacturing industry and for the expansion of exports and the saving of imports;
- (ii) in order to ensure their future ability to meet the requirements in (i) above, to exercise strict restraint on lending or provision of facilities for other purposes including, in particular, those to persons and property companies and for purely financial transactions.

The guidance also reminded banks and finance houses that they should not provide either loans to persons or check-trading facilities for the purchase of goods covered by the terms control order on terms easier than those permitted for hire-purchase contracts.