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CONFIDENTIAL

PRIME MINISTER <sup>①</sup> AT 6/18

HOUSE OF FRASER REPORT

You will wish to know that I have received the report by the Inspector, Mr Griffiths, on his enquiry (set up in August last year under Section 172 of the Companies Act 1948) into whether there was any agreement among shareholders of the House of Fraser PLC to act in concert. Such undisclosed 'concert parties' are criminal offences.

2 There has already been substantial publicity about the enquiry, notably in the Daily Mail on 12 June, which referred in particular to Lord Rothschild's involvement. It concerns such colourful characters as Mr 'Tiny' Rowland, Sir Hugh Fraser, Mr Rupert Murdoch and Professor Roland Smith. Lord Duncan Sandys and Edward du Cann are also mentioned in the Inspector's report, and I have looked at these passages with special care since they involve Parliamentary colleagues.

3 The Inspector does not find that there was a concert party organised either by Lonrho or by the House of Fraser. Accordingly there is no case for prosecution. Nor is there any evidence of a breach of the undertakings given by Lonrho following the Monopolies and Mergers Commission report of 1981.



4 I am making plans to be in a position to publish the report on 9 August, subject to the consideration I describe in para 7 below. We normally publish reports on public companies. I also consider, as you know, that maximum disclosure of information is an important part of our new policy initiative on investor protection.

5 The report is a long one but meticulous, well-balanced and well written. It will undoubtedly attract much publicity. The popular press will concentrate on the personalities and on the light the report throws on how big business is carried on by these companies. All the signs are that Lonrho will want to react vigorously to what they will seek to argue are prejudiced and unwarranted comments by the Inspector.

6 The more serious press is likely to concentrate on the relevance of the report to investor protection, in particular the extent to which, on the detailed evidence of the report, the merchant banks, brokers, investment trusts and other financial institutions satisfactorily deal with conflicts of interest. Although the report does not identify specific failure to deal with such conflicts, some of what is recounted will undoubtedly raise eyebrows.



7 The report is, of course, Mr Griffiths'. Once appointed an inspector is independent of the executive and his job is to establish the facts. My responsibility is to consider the report and, if there is no case for prosecution, to publish it. The parties could seek to persuade me not to publish on the grounds that the inquiry has not been fairly conducted. Indeed Lonrho has done just this. I am considering their representations but at first sight I doubt whether there is any real substance in them.

8 I am copying this letter to George Younger (since a Scottish company is involved) and to Sir Robert Armstrong.

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2 August 1984

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JF7095  
PS / Secretary of State for Trade and Industry

3 August 1984

CONFIDENTIAL  
COVERING CONFIDENTIAL

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Dear Andrew,

HOUSE OF FRASER REPORT

We discussed this morning the particular references in the Griffiths' Report on the House of Fraser which might cause embarrassment to No 10. I attach a copy of the Report, and a copy of a minute listing references to Mr Ian Gow; to the Honours system; and to a claim of personal friendship between the Prime Minister and Mr Richardson; I am also attaching a list of references to Mr Edward du Cann and to Lord Duncan-Sands.

2 I shall arrange for our Information Division to keep in contact with the No 10 Press Office on the defensive briefing which will be used when the Report is published on 9 August. I should stress that, subject to resolution of the question raised by Lonrho's solicitors, it is not intended to send any copy of the Report to Lonrho until 9 August. I should be grateful if you could ensure that the confidentiality of the Report is carefully observed.

Yours ever

M C McCARTHY  
Private Secretary

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HOUSE OF FRASER REPORT

As requested, I enclose herewith an advance copy of the report.

2. Reference to Mr Ian Gow is made in para 5.41 (page 101) and para 5.43 (page 104).
3. The reference to the Honours system is in para 5.12 (page 78) and arises from the arranged knighthood proposal (see para 5.9 page 75, para 5.10 page 75, para 5.13 page 79 and para 5.28 page 90).
4. Para 5.12 (page 78) also makes mention of Mr Richardson's personal friendship with the Prime Minister.

*JR Liesching*

Miss J R Liesching  
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3 August 1984

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HOUSE OF FRASER REPORT

The relevant references are as follows:

Volume 1: Pages 47, 78, 80-82, 101, 103, 105, 175

Volume 2: Pages 233, 236, 237, 271, 272, 273, 332, 348, 362 and 396

2 The submission to the Prime Minister has to be cleared in draft with the Solicitor and will be submitted in my absence by Mr Caines next week.

*[Handwritten signature]*

B J G HILTON  
FSC  
Rm 502 SB  
215 5962

27 July 1984

*SJH* References to Lord Duncan-Sandys (who didn't give evidence)

p. 8  
\* p. 78  
p. 200  
p. 318  
p. 332  
p. 396

*R.*