

CONFIDENTIAL

Ireland

MR. WHITMORE

cc. Mr. Colver ✓

De Lorean

Ian Gow asks for a note of our involvement, following Mr. Winterton's conversation with him.

Mr. Winterton wrote to Ian Gow early in the week beginning 28 September. On the afternoon of Thursday 1 October, he spoke to me on the telephone in Ian's absence in Australia. He said that he had written to Mr. Gow warning of a possible commercial scandal, but that he had since learned that the story was liable to break publicly in the very near future. I believe he said "before the weekend". He spelt out to me the company involved and the nature of some of the allegations. He asked that the matter should be brought to the Prime Minister's attention. I undertook to come back to him as soon as possible.

I spoke to you in Australia before leaving the office that evening. Our secure line was not functioning, so I told you in guarded terms that new allegations had come to hand about some commercial business in Northern Ireland, and I told you who I proposed to consult.

Early on Friday 2 October, I consulted one senior official, and he and I then spoke to Sir Brian Cubbon at the Home Office. The unanimous view was that the Law Officers should be informed of the allegations, so that they could take whatever action they considered appropriate.

I therefore spoke to Jim Nursaw, Legal Secretary, around lunch-time on 2 October, and asked if he could arrange for the DPP to institute whatever enquiries seemed necessary. Around the same time, I told Mr. Winterton that, after arranging for the Prime Minister to be informed of the allegations, I was referring the matter to the Law Officers, who would arrange for someone to see Mr. Winterton.

/ In the course

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In the course of the afternoon, the DPP made arrangements to send a police officer to see Mr. Winterton over the weekend, so that the documentary evidence he held could be collected. I also spoke to the Solicitor General during the afternoon, on whose authority the DPP had been brought in. (Our contacts with the DPP were, of course, entirely informal, since he cannot take instructions from Ministers other than Law Officers.)

The DPP spoke to me at the end of the day, after he had got in touch with Mr. Winterton. For what it is worth, I might record that the DPP said that he was alarmed at the extent of Mr. Winterton's indiscretion over the telephone. All our activity on the matter had been carried out with maximum possible discretion, and the DPP clearly believed that this was essential at that stage of events.

In the course of 2 October, I telegraphed you in Melbourne, outlining what had happened and what steps we were taking to arrange for the allegations to be investigated rapidly.

I was on duty over the weekend, but I did not pick up these events until quite late on Saturday, when I was in touch with the Northern Ireland Office on other business. In the meantime, I understand that the Duty Press Officer, Mr. Colver, had had a telephone enquiry from Gordon Leak of the News of the World. This was around midday, and at that stage Leak did not name Mr. Winterton. This led the Press Office to take the matter up direct with the party in Australia. As a result of these contacts, you and the NIO Permanent Secretary agreed a Press line as follows:

"The Government has recently been informed of allegations of financial irregularities in the De Lorean company and insofar as these may relate to the company's operations in the UK the police are making inquiries."

The Press Office were also equipped with a further line, to be used only if asked about Mr. Winterton's involvement. They could then confirm that he conveyed his allegations to the Prime Minister:

/ the Solicitor General

that the Solicitor General was consulted, and that he asked the DPP to institute an enquiry.

Initially, the Press Office used the line not mentioning Mr. Winterton. But further calls from the News of the World and the Observer included questions about Mr. Winterton's role, at which point the Press Office started to use the formula describing Mr. Winterton's role.

As I recall it, Mr. Winterton allowed himself to be interviewed for television starting with the lunchtime news bulletins on Sunday. The News of the World had, as you know, decided on legal advice not to run its story, but the Observer carried a brief piece about enquiries.

There were two further statements the following week. The NIO issued one to play down the extent of the enquiry, in order to reassure commercial creditors. The Solicitor General issued one to make it clear that he had ordered the police enquiry, after the allegations referred to by the Prime Minister.

In effect, our direct involvement ceased after the weekend. Throughout that period, we done done our best to keep matters private. Once it became clear that the Press had picked up the story, we at no stage volunteered comments, but equally we made sure that we could respond in a factually accurate way to specific questions put to us. (It appeared to us at the time that the questions were probably arising because Mr. Winterton had already been talking to the Press, but there was some suggestion that some of Miss Gibson's material might have appeared in a New York evening paper on the afternoon of Friday 2 October.)

MAP

28 October 1981

D E D I P
SECRET

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Duty Clerk
No 10

FM F C O 021640Z OCT 81
DESKBY 022300Z

TO IMMEDIATE CANBERRA
TELEGRAM NUMBER 410 OF 2 OCTOBER

FOLLOWING STRICTLY PERSONAL FOR WHITMORE, PRIME MINISTER'S PARTY,
FROM PATTISON, 10 DOWNING STREET.

MR NICHOLAS WINTERTON.

WINTERTON WROTE TO IAN GOW EARLIER IN THE WEEK, SEEKING A MEETING WITH THE PRIME MINISTER TO DISCUSS QUESTIONS OF FRAUD AGAINST THE BRITISH GOVERNMENT. HE FELT HE COULD NOT TAKE THESE MATTERS UP DIRECTLY WITH THE SECRETARY OF STATE, BECAUSE OF THE RISK OF A LEAK - INADVERTENT OR OTHERWISE - TO THE COMPANY CONCERNED THROUGH THE DEPARTMENT.

WINTERTON TELEPHONED YESTERDAY TO REPORT THAT THE MATTERS IN QUESTION MIGHT NOW BREAK PUBLICLY WITHIN A VERY SHORT TIMESCALE, AND HE WAS ANXIOUS THAT THE PRIME MINISTER SHOULD THEREFORE BE INFORMED AS EARLY AS POSSIBLE, SO THAT SHE COULD INITIATE WHATEVER ENQUIRIES SHE THOUGHT NECESSARY, INDEPENDENTLY OF THE DEPARTMENT CONCERNED.

WINTERTON'S INFORMATION COMES VIA A CONSTITUENT FROM A BRITISH EMPLOYEE OF THE DE LOREAN PARENT COMPANY IN THE US. SHE CLAIMS TO HAVE ACCESS TO DOCUMENTARY EVIDENCE OF QUOTE MASSIVE FRAUD LEFT RIGHT AND CENTRE UNQUOTE AGAINST HMG. WINTERTON HAS SEEN CERTAIN PAPERS WHICH HE SAYS MAKE QUOTE VERY INTERESTING READING UNQUOTE, AND HE HAS ACCESS TO TWO FILES LEFT IN ENGLAND BY THE INFORMANT ON A RECENT VISIT.

WINTERTON REPORTS THAT THESE MATTERS COULD VERY SHORTLY BECOME PUBLIC IN THE US, AS A RESULT OF A TAX FRAUD INVESTIGATION WHICH IS LIKELY TO BE THE FALL-OUT FROM A ROW BETWEEN MR. DE LOREAN AND ONE OF HIS SENIOR EXECUTIVES, WILLIAM HADDAD. WINTERTON'S INFORMANT IS BEING ASSISTED BY A BLACK AMERICAN ATTORNEY NAMED CLARENCE JONES, WHO IS SOMETHING OF A NATIONAL FIGURE BECAUSE HE PREVIOUSLY ACTED FOR MARTIN LUTHER KING.

FROM WHAT WE KNOW SO FAR, THE ALLEGATIONS CONCERN MAJOR FRAUD AGAINST HMG ON THE PART OF THE COMPANY, BUT APPARENTLY NO MORE THAN NEGLIGENCE ON THE PART OF THE NIO. WINTERTON SAYS THE INFORMANT HAS LONG BEEN RESIDENT IN THE UNITED STATES BUT HAS FINALLY FELT THAT HER BASIC LOYALTY TO THE UK REQUIRES HER TO EXPOSE THESE MATTERS.

GIVEN THE HISTORY OF SCEPTICISM ABOUT DE LOREAN ON THE PART OF MANY IN THE UK, THERE IS NO PARTICULAR REASON TO EXPECT THESE ALLEGATIONS TO PROVE BETTER FOUNDED THAN EARLIER ONES, BUT THEY APPEAR TO COME FROM A NEW SOURCE, AND IT SEEMS ESSENTIAL TO INITIATE ENQUIRIES IMMEDIATELY.

IF MATTERS DO SURFACE IN THE USA, IT WILL BE HELPFUL TO BE ABLE TO SHOW THAT INVESTIGATIONS ARE ALREADY IN PROGRESS HERE. IF NOTHING HAPPENS IN THE USA, WE WILL NEVERTHELESS FIND OUT QUICKLY WHETHER THERE IS ANY SUBSTANCE TO THE ALLEGATIONS, AND THIS WILL BE RELEVANT TO FUTURE DEALINGS WITH THE COMPANY, AND IN PARTICULAR TO WINTERTON'S REPORT OF A FORTHCOMING REORGANISATION OF THE US HOLDING COMPANY WHICH MIGHT AFFECT CONTROL OF HMG'S INVESTMENT.

THEREFORE, AFTER THE INFORMAL CONSULTATIONS I MENTIONED TO YOU, THE SOLICITOR GENERAL HAS PRIVATELY APPROACHED THE DPP, WHO HAS AGREED TO ARRANGE FOR A SENIOR POLICE OFFICER TO BE IN TOUCH WITH MR. WINTERTON IMMEDIATELY TO PURSUE MATTERS.

WOODFIELD TOLD ME THAT THERE ARE OTHER PROBLEMS WITHIN THE NI COMMERCE DEPARTMENT AT PRESENT WHICH MAKE THIS STORY PARTICULARLY UNTIMELY IF IT PROVES TRUE.

CARRINGTON

Ireland.

File No.....
Department 10 DOWNING STREET
Drafted by
(Block Capitals).....MIKE PATTISON.....
Tel. Extn. 01-930-4433.....

OUTWARD
TELEGRAM

Security Classification SECRET	2
Precedence IMMEDIATE	
DESKBY 2300	Z

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(Date).....
(Time).....Z

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PREAMBLE

(Time of Origin).....Z(G.M.T.) (Restrictive Prefix)
(Security Class.)SECRET (Caveat)
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Distribution:-

[TEXT]

DEDIP

FOLLOWING PERSONAL FOR WHITMORE, PRIME MINISTER'S PARTY,
FROM PATTISON, 10 DOWNING STREET

MR NICHOLAS WINTERTON

Winterton wrote to Ian Gow earlier in the week,
seeking a meeting with the Prime Minister to discuss
questions of fraud against the British Government.
He felt he could not take these matters up directly
with the Secretary of State, because of the risk of a
leak - inadvertent or otherwise - to the company
concerned through the department.

Copies to:-

/ Winterton

Winterton telephoned yesterday to report that the matters in question might now break publicly within a very short timescale, and he was anxious that the Prime Minister should therefore be informed as early as possible, so that she could initiate whatever enquiries she thought necessary, independently of the department concerned.

Winterton's information comes via a constituent from a British employee of the De Lorean parent company in the US. She claims to have access to documentary evidence of "massive fraud left right and centre" against HMG. Winterton has seen certain papers which he says make "very interesting reading", and he has access to two files left in England by the informant on a recent visit.

Winterton reports that these matters could very shortly become public in the US, as a result of a tax fraud investigation which is likely to be the fall-out from a row between Mr. De Lorean and one of his senior executives, William Haddad. Winterton's informant is being assisted by a Black American attorney named Clarence Jones, who is something of a national figure because he previously acted for Martin Luther King.

/ From

NOTHING TO BE WRITTEN IN THIS MARGIN

SECRET

- 2 -

From what we know so far, the allegations concern major fraud against HMG on the part of the company, but apparently no more than negligence on the part of the NIO. Winterton says the informant has long been resident in the United States but has finally felt that her basic loyalty to the UK requires her to expose these matters.

Given the history of scepticism about De Lorean on the part of many in the UK, there is no particular reason to expect these allegations to prove better founded than earlier ones. But they appear to come from a new source, and it seems essential to initiate enquiries immediately.

If matters do surface in the USA, it will be helpful to be able to show that investigations are already in progress here. If nothing happens in the USA, we will nevertheless find out quickly whether there is any substance to the allegations, and this will be relevant to future dealings with the company, and in particular to Winterton's report of a forthcoming reorganisation of the US holding company which might affect control of HMG's investment.

Therefore, after the informal consultations I mentioned to you, the Solicitor General has privately approached the DPP, who has agreed to arrange for a senior police officer to be in touch with Mr. Winterton immediately to pursue matters.

Woodfield told me that there are other problems within the NI Commerce Department at present which make this story particularly untimely if it proves true.

~~MESSAGE~~ ENDS

File No.
Department 10 DOWNING STREET
Drafted by (Block Capitals) MIKE PATTISON
Tel. Extn. 01-930-4433

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Precedence IMMEDIATE
DESKBY 2300

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Winterton's information comes from a British employee of the De Lorean parent company in the US. The informant contacted a personal friend who is a constituent of Mr. Winterton's. She claims to have access to documentary evidence of "massive fraud left right and centre" against HMG. Winterton has seen certain papers which he says make "very interesting reading", and he has access to two files left in England by the informant on a recent visit.

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From what we know so far, the allegations concern fraud against HMG on the part of the company, but apparently no more than negligence on the part of the NIO. The informant has apparently been resident in the United States for many years but, according to Winterton, has finally felt that her basic loyalty to the UK requires her to expose these matters.

Given the history of scepticism about De Lorean on the part of many in the UK, there is no particular reason to expect these allegations to prove better founded than earlier ones. But it is clearly essential that we should initiate proper enquiries at the earliest possible moment. After the informal consultations I mentioned to you, the Solicitor General has privately approached the DPP, who has agreed to arrange for a senior police officer to be in touch with Mr. Winterton immediately to pursue these matters. Mr. Clarence Jones and his client are ready to travel to the UK at short notice.