

CONFIDENTIAL



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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

6 August 1985

*WBF*

The Rt Hon Douglas Hurd MP  
Secretary of State for Northern Ireland  
Northern Ireland Office  
Whitehall  
LONDON  
SW1A 2AZ

*R Douglas*

ARTHUR ANDERSEN

Following my letter to you of 3 June and your reply of 13 June, I have written to Arthur Andersen outlining our intentions. They have now discussed the position with Alex Fletcher.

2. The firm are quite prepared to accept the position on audit work. They have said they will not tender and do not expect to be invited to tender for new audits until the position on the case is clearer. They accept that on the renewal of audit work, they cannot expect reappointment unless over-riding legal or policy reasons require it. They will give the undertakings we asked for in respect of their UK partnership (which includes Northern Ireland) and will obtain them from their Illinois partnership (the relevant US partnership) and from the Dublin partnership.

3. On consultancy work however, the firm tell us that from 1 September, the consultancy partnership will be a separate legal entity from the audit partnership in the United Kingdom. The partnerships will have no common partners, they will have separate professional staff and the profits of each firm accrue to the partners in that firm only. Given this separation between the consultancy and the audit partnership, Anderson's have asked that their relationship with Government on consultancy work should be on a "business as usual" basis.

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4. I recommend that we should agree to this. Our objectives of protecting the Government's legal position and protecting the public interest in appointing a firm against which there are serious allegations are secured by the agreement on both audit work and on the undertakings. It might be very difficult for the Government to justify harsh treatment of a separate business. The approach also offers a way through the practical difficulties for the Government to which the legal requirements have given rise - namely upsetting a series of complex relationships outside the audit field with a firm which has valuable, sometimes unrivalled, expertise. Lastly, as sponsor for the accountancy sector, I want the Government to be seen to deal with firms on a fair and reasonable basis - particularly one with such a high profile.

5. I would not expect this relatively modest amendment in our proposed stance to cause you or other colleagues undue difficulty. If therefore I have not heard from you by 9 August, I shall write to the firm on the assumption that you accept my conclusions. The matter is obviously of great concern to Andersons and I would like to let them know the position before the holiday period.

6. They do not want any publicity for the position: nor do we.

7. I am copying this letter to the Prime Minister, Cabinet colleagues, the Attorney-General, Sir Robert Armstrong and the Head of the Government Accountancy Services.

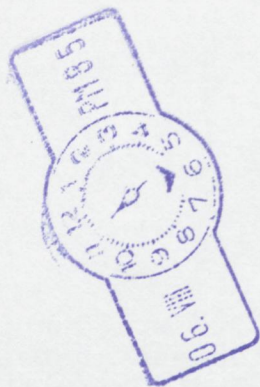
A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a stylized flourish above the name.

NORMAN TEBBIT

Ireland

July 80

De Loreau





Minister of State

NORTHERN IRELAND OFFICE  
STORMONT CASTLE  
BELFAST BT4 3ST

Tel. Belfast (0232) 63011  
Telex 74272

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade & Industry  
1-19 Victoria Street  
LONDON  
SW1H 0ET

8 August 1985

R13

NBPM

Dear Norman,

ARTHUR ANDERSEN

In Douglas Hurd's absence I am replying to your letter of 6 August 1985.

The Treasury Solicitor is presently in consultation with our American lawyers regarding Andersen's request that their future relationship with the Government on consultancy work should be on a "business as usual" basis.

I note that you are recommending that we agree to this but until we receive advice from our lawyers I would ask you to defer writing to Andersens.

I appreciate your desire to deal with the matter at the earliest possible date and the Treasury Solicitor expects to be in a position to provide advice by Monday next, 12 August 1985. I will be in touch with you again immediately thereafter.

I am copying this letter to the Prime Minister, Cabinet colleagues, the Attorney-General, Sir Robert Armstrong and the Head of the Government Accountancy Services.

all good wale

Y  
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DR RHODES BOYSON MP

Ireland 7180

De Lorean





Minister of State

NORTHERN IRELAND OFFICE  
WHITEHALL  
LONDON SW1A 2AZ

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade & Industry  
1-17 Victoria Street  
LONDON  
SW1H DET

13 August 1985

*Dear Norman,*

I refer to my letter dated 8 August asking you to hold further correspondence with Arthur Anderson as suggested in your letter of 6 August until we had received legal advice on the implications.

The Treasury Solicitor, who has consulted with our American lawyers, has now indicated that we can agree that the relationship with the new consultancy partnership may be on a "business as usual" basis.

With regard to the undertakings, referred to in paragraph 2 of your letter I assume that they would be sought also from the new consultancy partnership.

I assume that when agreement has been reached with Anderson's you will arrange for the Head of the Government Accountancy Service to issue definitive guidelines to all Departments. It is important that we maintain consistency across the board.

I am copying this letter to the Prime Minister, Cabinet colleagues, the Attorney General, Sir Robert Armstrong and the Head of the Government Accountancy Service.

*All good wishes*

*Yours*

*Rhodes*

DR RHODES BOYSON MP

De Lorean : IRELAND July 80



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Northern Ireland Office  
Stormont Castle  
Belfast BT4 3ST

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON  
SW1H 0ET

NRAZB

DRS  
2/9

30 August 1985

Dear Norman,

LEGAL ACTION AGAINST ARTHUR ANDERSEN AND CO

Thank you for your letter of 18 July about the service of a Statement of Claim in the proceedings against AA in London and Belfast. As you say this action may give rise to further questions as to the jurisdiction in which the case should be pursued. Work on the UK Statements of Claim is in hand but I do not think we will need to take a final decision on service until late in the Autumn. Service would need to take place by 23 January 1986. At present, it seems almost certain that we will wish to serve the UK Statements of Claim to keep our actions alive in the UK lest circumstances arise where it would be prudent to pursue the litigation in both jurisdictions.

The question of jurisdiction was considered earlier this year between the Treasury Solicitors Office and Lawyers in your Department and I understand it was recognised then that a successful outcome to this case would require vigorous prosecution of the US action as well as actions here.

I have been advised on the basis of the known facts, and the documentary evidence discovered so far and in view of the fact that a similar action against AA brought last year by the US Trustee in Bankruptcy is also pending in the US Court, that the US appears to be the natural forum for hearing the case. AA of course contest this and as matters stand at present the US Court is considering jurisdictional and other questions but the outcome of these deliberations will not be known until later this year.

As to the UK actions, at present it is intended to pursue these in as far as it is necessary to keep the UK claims alive - in case any statutory limitation or other difficulties arise in the US Claim or the US Court decides after trial that it does

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not have jurisdiction over AA partners outside the United States. In such circumstances we would need to consider pressing the litigation in the UK. I should point out that litigation in the UK against AA may, in any event, be pursued by the Joint Liquidators of DeLorean Motor Cars Ltd. The Joint Liquidators Writ against AA was issued by the High Court in Belfast in February 1985 but has not yet been served.

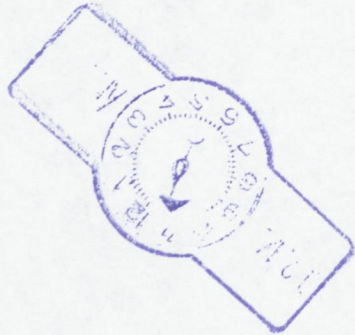
Thus, for all these reasons I consider it will be necessary to take the UK actions forward as soon as practicable; not as substitutes for the US action but rather in addition to and in support of it. If there are any special points which your officials wish to make on these matters we would of course be glad to receive them and to arrange discussions, if necessary, in advance of the decisions on the service of the Statements of Claim to be taken later this year.

I am sending copies of this letter to the Prime Minister, Cabinet Colleagues, the Attorney General, Sir Robert Armstrong and the Head of the Government Accountancy Service.

*Lowery,  
Douglas.*

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IRELAND: De Lorean: July 1980



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Secretary of State for Trade and Industry

N. BART.  
REV  
25/9.

24 September 1985

Rt Hon Tom King MP  
Secretary of State for  
Northern Ireland  
Northern Ireland Office  
Stormont Castle  
Belfast BT4 3ST

Dear Tom,

**LEGAL ACTION AGAINST ARTHUR ANDERSEN & CO**

Douglas Hurd wrote to Norman Tebbit on 30 August outlining the current state of play on the various actions against Arthur Andersen & Co.

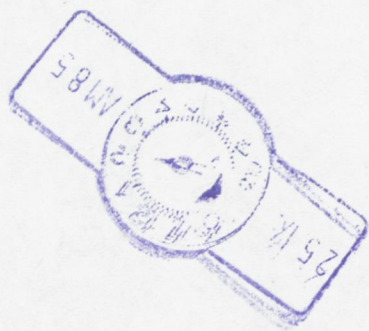
At this stage there are no particular points which I would wish to make but given this Department's very close interest in the case, I trust you will continue to keep me fully informed of developments.

I am sending copies of this letter to the recipients of yours.

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LEON BRITTAN

IRELAND : DE LOREAN





From the Parliamentary Under Secretary of State  
for Corporate and Consumer Affairs

Michael Howard QC MP

CCNO

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1-19 VICTORIA STREET  
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NBPTZ

Dr Rhodes Boyson  
Minister of State  
Northern Ireland Office  
Whitehall  
London SW1A 2AZ

14 October 1985

Dear Rhodes,

I am replying to your letters of 8 and 13 August to Norman Tebbit about the terms of the Government's future relationship with Arthur Andersen & Co.

I am pleased to say that we have now obtained satisfactory undertakings from the Arthur Andersen partnerships in the UK - ie from the new management consultancy partnership as well as the accountancy partnership - Dublin and Illinois and that on that basis I have written to the firm confirming the arrangements set out in Norman's letter of 6 August to Douglas Hurd. At Andersen's request, and in the light of advice from your officials and those conducting the Government case, I have also given a reciprocal assurance that HMG will not seek to use the fact of their undertakings to its advantage as a legal point, as evidence or as pure prejudice in the litigation regardless of the forum.

The Head of the Government Accountancy Service will be issuing guidance on the arrangements to Principal Establishment and Finance Officers shortly.

I am copying this letter to the Prime Minister, Cabinet colleagues, the Attorney General, Sir Robert Armstrong and the Head of the Government Accountancy Service.

Yours ever  
Michael  
MICHAEL HOWARD

Ireland July 80  
De Lorean sports car

