

CAB 301 / 860

CONFIDENTIAL

S+P 2391



DEPARTMENT OF PRICES AND
CONSUMER PROTECTION
MILLBANK TOWER
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LONDON SW1P 4QU

TELEPHONE DIRECT LINE 01-211
SWITCHBOARD 01-211 3000

From the Permanent Secretary
Sir Kenneth Clucas, K.C.B.

Sir John Hunt
10/2/79

20 February 1979

Martin Vile Esq
Private Secretary to
Sir John Hunt GCB
Cabinet Office
S W 1

CABINET OFFICE
A 1732.....
21 FEB 1979
FILING INSTRUCTIONS
FILE No. 2391

S. and B.

Dear Vile,

.....
Sir John telephoned Sir Kenneth last week to ask about the background to an article in Private Eye. He might be interested to read the enclosed copies of correspondence between Sir Kenneth and Sir Basil Hall. Sir Basil's advice is that the article is seriously defamatory but he agrees that it would be unwise to institute proceedings.

Sir Kenneth accepts this advice and intends to let the matter rest, in the knowledge that Mr Hattersley has decided to do the same.

Yours ever,

R. M. Watson

R. M. WATSON
Private Secretary

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From the Permanent Secretary
Sir Kenneth Clucas, K.C.B.

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Sir Basil Hall KCB MC TD
HM Treasury Solicitor
HM Treasury

14 February 1979

Dear Basil,

PRIVATE EYE ARTICLE

As I mentioned to you on the telephone this morning Private Eye is running a story making allegations against my Secretary of State and bringing me into the story.

My Secretary of State is consulting his solicitors (who are Lawrence, Graham, Middleton and Lewis (Mr J A Wall) of 6 New Square, Lincoln's Inn.)

I should be grateful for your advice as to whether what is said in the article is defamatory of me personally, and, if so, what I should do about it.

As I mentioned on the telephone the initial reaction of Mr Hattersley and myself is that one should take a relaxed view of anything appearing in Private Eye: it would be a different matter if the allegations were to be repeated elsewhere.

... I am enclosing the departmental file on the subject.

Copies of this letter go to Ian Bancroft and Michael Kerry.

*Yours ever,
Ken.*

KENNETH CLUCAS

CONFIDENTIAL



Matthew Parker Street
London SW1H 9NN

Telephones SWITCHBOARD 01-233 3000
DIRECT LINE 01-233 7391

Sir Basil Hall KCB, MC, TD

16 February 1979

Our reference

Your reference

Sir Kenneth Clucas KCB
Department of Prices and Consumer Protection
Millbank Tower
Millbank
London
SW1P 4QU

Dear Ken,

PRIVATE EYE ARTICLE

I have looked at the papers you sent to me with your letter of 14 February. When I spoke to you on the telephone I thought that the point which needed examining was whether there should be legal representation at public expense. When there is a question of legal proceedings for a department for which we act in litigation cases it is usual to refer it here, not least because the charge will fall to my vote.

I see however that your concern is, at this stage, to have advice and on that basis it would have been more appropriate to have sent it to Michael Kerry. I am, therefore, sending this letter through him so that he can add any comment or qualification that he may wish.

My view can be shortly expressed. The passage is defamatory, seriously defamatory. I do not think that the defence of fair comment would be available.

It is of course open to you to institute proceedings if you wish (though before taking any step one would seek Counsel's advice) but for my part I would agree with your initial reaction. I would not therefore suggest asking Private Eye for a retraction (even though a retraction would undoubtedly be in the public interest) because if it were refused one would be virtually bound to take proceedings.

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contd/.....

I return the departmental files.

I have copied this to Ian Bancroft and Michael Kerry.

Yours ever
Basil

Basil Hall

CABINET OFFICE

Ref: A08974..

15 FEB 1979

INSTRUCTIONS

MR. STOWE

File

*STP
2391*

You told me that the Prime Minister was aware of the position regarding the personal aspects of the Private Eye article on Mr. Hattersley but wanted a clearer account of how Leisure Arts came into the picture.

2. Briefly the story is as follows. Leisure Arts is a mail order firm with which Miss Pearlstine is connected. There have been complaints about it in the past which have been investigated either by the Office of Fair Trading or by the Department of Prices and Consumer Protection itself. The Daily Mail recently alleged that complaints against Leisure Arts were being currently investigated and that it was difficult for Mr. Hattersley to act impartially in view of his relationship with Miss Pearlstine. The Chairman of Leisure Arts then telephoned Mr. Hattersley saying that he wished to refute the Daily Mail allegation and asking Mr. Hattersley to confirm that Leisure Arts was not currently being investigated. Mr. Hattersley replied that, in view of the Daily Mail allegation, he did not wish to deal with the matter himself; and he asked the Chairman to write to his Permanent Secretary Sir Kenneth Clucas. This the Chairman did. Sir Kenneth Clucas, after taking legal advice, replied reminding the Chairman that complaints had been made against the firm in the past and had been investigated but confirming that there were currently no complaints against the firm and thus none under investigation. Faced with this letter the Daily Mail printed its retraction.

3. I understand that Mr. Hattersley and Sir Kenneth Clucas are consulting their solicitors about the Private Eye article but that their personal inclination is not to wish to take action as a result of it. If another paper were to take up the story, it might be a different matter.

JOHN HUNT

John Hunt

15th February 1979

Gnome

Readers will be delighted to hear news of Her Majesty the Queen's current tour of Middle Eastern countries.

Even more so when they learn that during her visit to the Sheikdom of Arsholi this week she will open a new industrial complex which has been designed and built by Gnome Very Wonderful Investments Co.

The complex, which includes a 3,000-bedroom hospital and a lavish multi-million pound massage parlour, has resulted in huge export orders for Britain.

Thanks to the enterprise of G.V.W.I., thousands of workmen who might well be joining the unemployment queue are now gainfully employed.

In view of Her Majesty's involvement, I hesitate to mention certain rumours connected with the project. However, one canard should be quashed without delay.

This concerns an ex gratia payment of £49 million allegedly paid by my organisation to the Sheikh of Arsholi, His Highness Prince L'havish McTavishi.

It has been suggested in certain quarters that this sum constituted a bribe to "oil the palm" of the Sheikh.

Nothing could be further from the truth. It is perfectly true that the money was paid. But the large sum was paid in recognition of His Highness's invaluable assistance in drawing up the complicated contract with the help of my legal adviser Mr Eugene Sue.

E. Strobes,
pp Lord Gnome,
Much Bribing in the
Marsh, Glos.

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COLOUR SECTION

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The Government seems to be taking an all too leisurely interest in goings-on at Roy Hattersley's Department of Prices and Consumer Protection. Is the Office of Fair Trading carrying out an investigation into the mail order firm Leisure Arts - or isn't it?

Apparently it isn't, if one is to believe last month's grovelling apology by Nigel Dempster for venturing to suggest in his *Mail Diary* that complaints against Leisure Arts were being investigated by the OFT.

But why has the investigation been suspended, and what has it to do with shyly-attractive young American Maggie Pearlstine?

Miss Pearlstine, a 29-year-old attorney's daughter from Pennsylvania, is installed in a two-roomed flat in Ashley Gardens, SW1, just four minutes jog from OFT supremo Hattersley's home in Gayfere Street, Westminster.

The friendship between the youthful American and the portly menopausal Hattersley - his wife Molly is headmistress of a North London comprehensive - had been known in Fleet Street for some time. Last spring a snooper from the *Sun* had penetrated "block 10" at Ashley Gardens and enquired of an old dear on the sixth floor where Mr Hattersley had been.

"There!" cried Mary Cooksey, innocently letting the cat out of the bag with a frail finger pointing at Maggie's front door, number 144B. Mrs Cooksey went on to laud Hattersley's good-neighbour qualities, particularly the time he insisted on driving her to hospital when she fell and cut her leg.

News of these nosings reached Hattersley, who summoned the wretched *Sun* scribe to an 8 a.m. meeting in Gayfere Street.

Hattersley proceeded to present "the facts": He and his wife had known Miss Pearlstine for about three years; she was a mutual friend. He denied any romance with her, or that he had ever resided in Ashley Gardens. Any suggestion of a separation or divorce from his wife was "preposterous".

Faced with this categorical denial from a Cabinet Minister, the *Sun* shelved its inquiry.

Dempster's legmen resurrected the affair with some fresh tidbits from Maggie's neighbours. One recalled chauffeured Government limousines regularly depositing the unmistakable figure of the Prices Secretary at the street entrance to Maggie's flat at 6.30 of an evening, and collecting him there for work around 8.30 the following morning.

This resident, a senior executive in the City, was in no doubt that at some stage during 1978 Hattersley was living in Ashley Gardens. He had, for instance, observed a track-suited Hattersley setting off on a 7.30 a.m. jog from the block. And since they both left for work about the same time he even got on a "good-morningish" sort of relationship with the fat slob.

None of this, of course, emerged in Dempster's cautionary tale last September 27, which was content to link Maggie and her Cabinet Minister through their supposed joint love - cricket.

The story, with its allegation of a current OFT investigation against Leisure Arts, brought instant squeals of protest from the company's solicitors, a West End firm named Sacker's. Their increasingly litigious threats were penned by a partner named Lionel Phillips whose (non-declared) interests, would you believe it, include a directorship of the Leisure Arts Group.

Dempster's information about the OFT's investigation of complaints against Leisure Arts came from none other than Prices Department Press Officer June Doyle. On 3 October, six

days after Dempster's *Diary* piece, she confirmed that she had issued the statement, although she added mysteriously that she had heard "a vague mention" that Leisure Arts was upset.

Several days later Sacker's produced a trump card: a letter to Leisure Arts from none other than Sir Kenneth Clucas, Permanent Secretary and Hattersley's top Civil Servant at the Prices Department. Dated 4 October, it informed Leisure Arts that no complaints against the company were being considered "at the present time" and accordingly the department was not investigating the company or its activities.

Faced with this, the *Mail* caved in and printed its retraction.

Leisure Arts, which has an annual turnover of some £7 million, is run by a 56-year-old American named Leonard Joseph. It has an unsavoury record:

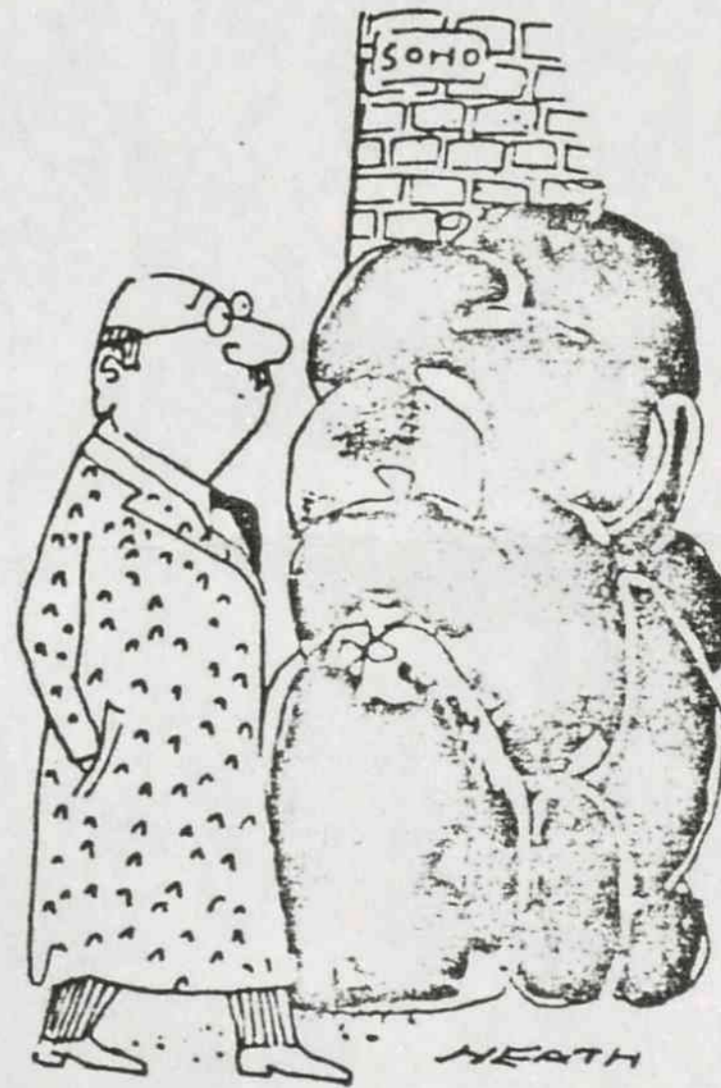
In 1964, parents whose children received unsolicited pamphlets from the company inviting them to accept free trial offers of a sex encyclopedia complained to the Director of Public Prosecutions.

In 1965, Joseph's "Vitamins-by-Post" scheme was denounced in the House of Commons as "unscrupulous".

Again in 1965, following a *Daily Mail* investigation, a subsidiary company was forced to withdraw its "scare" letter to customers which said: "Once your credit status in your community is doubtful you'll feel and regret it a thousand times. Please be wise. Protect your credit."

More recently, the Leisure Arts group has several times breached the Code of Advertising Practice.

Roy Hattersley and Sir Kenneth Clucas have enjoyed a close working relationship since their days together at the old Ministry of Labour in the 1960s (when Hattersley was Joint Parliamentary Secretary and Clucas Under-Secretary). Could it be that, having so successfully duped the *Sun*, Hattersley was able to prevail upon his Permanent Secretary to oblige his girlfriend's employers with sufficient heavy ammunition to blast the *Mail* into submission too?



"Like a good time, dearie?"

