



BANK OF ENGLAND

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Dear Derek

RPI: Planned changes at the time of the annual re-weighting and updating of the baskets

I refer to your letter of 30 October 2014 addressed to James Bell. In that letter, you seek the Bank's view as to whether proposed improvements to the measurement of private rents, within the RPI, would constitute a fundamental change in the index that would be materially detrimental to the interests of holders of relevant index-linked gilts. This pertains to your obligations under Section 21 of the Statistics and Registration Services Act 2007 to consult the Bank before making any change to the coverage or basic calculation of the index.

A senior committee at the Bank under my chairmanship has considered this matter. The Committee concluded that changing the measurement of private rents in the manner proposed did not constitute a fundamental change to the index and that, furthermore, it was consistent with previous judgements relating to improvements in the measurements used to compile sub-components of the Index. Moreover, nor would the proposed change be likely to be materially detrimental to the holders of index-linked gilts. The Committee therefore judged that the proposed change can proceed without triggering the redemption clause on relevant index-linked gilts.

A copy of this letter goes to Dave Ramsden and Stephen Farrington at HM Treasury, to Glen Watson, Nicholas Vaughan and Joe Grice at the ONS, and to James Bell and Iain de Weymarn at the Bank.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Broadbent', written in a cursive style.