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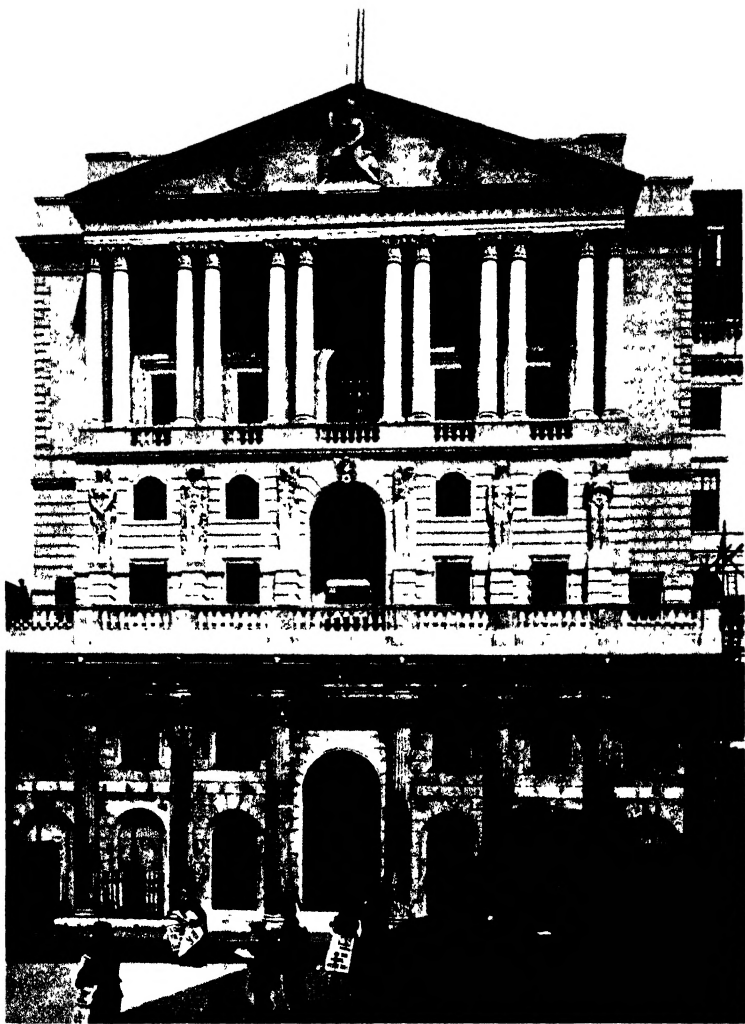




**THE ROMANCE OF THE  
BANK OF ENGLAND**







THE NEW BANK OF ENGLAND  
Central façade

# THE ROMANCE OF THE BANK OF ENGLAND

BY  
KATE ROSENBERG  
(Mrs. Harold Frankl)  
AND  
R. THURSTON HOPKINS  
*α*

FOREWORD BY  
THE RIGHT HON. VISCOUNT SNOWDEN  
of ICKORNSHAW

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### AUTHORS' NOTE

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They particularly wish to put on record their indebtedness to Mr. Roy Hopkins for his sympathetic assistance and encouragement throughout.



## A FOREWORD

BY

THE RT. HON. VISCOUNT SNOWDEN.

SUCH a volume as is here presented to the reader will, I believe, meet a public demand for information about our greatest non-political institution. I know of no greater change which has taken place in popular interest in the last twenty years than in matters relating to banking and allied questions.

No subject is more discussed to-day than the relation of monetary policy to commercial and industrial conditions. Informed and uninformed persons are pouring forth books and pamphlets on the gold standard, a managed currency, and allied topics like a violent hail-storm. In this multitude of counsellors there is a good deal more confusion than wisdom. The writers are agreed on one thing only, namely in blaming the Bank of England for all the woes from which we suffer.

But this book is not a treatise on the banking system. It is not an exposition or defence of the policy and practice of the Bank of England. It has a much more interesting and intelligible purpose. It is not controversial. It is a history of the rise of the banking system in England from the time when the Italian exchange bankers transferred their operations from Lombardy to London to the day when "the City" became the world's great financial centre. The story itself reveals the dominating part which

## A FOREWORD

the Bank of England has played in giving London this pre-eminent place in International finance.

The banking system has had such an intimate association with the rise and development of British commerce that a history of the Bank of England necessarily involves an account of the early days of our International trade, and of the necessity of an exchange and banking system to facilitate its operations. This part of their task the writers of this volume have discharged in a fascinating style.

It is no part of the purpose of such an introduction as this to epitomise the book. It covers such a multitude of interesting events and topics that even to select a few from the storehouse would be an impertinence. The reader will find for himself how well qualified the writers have been for the work they have undertaken. They have had access to records and documents, and have presented, for the first time, quaint incidents and events which throw a most interesting light on the times in which they happened.

The Bank of England, it will be seen, has passed through many vicissitudes. Once there was a wild "run" on the Bank; on another occasion it had to suspend payment on account of the insufficiency of money.

It has had its difficulties in recent times, but its position remains impregnable. "As safe as the Bank of England" is a saying which has become a proverb. That reputation was won by its past, and it will be maintained by its future.

The Bank of England, as the first and greatest Central Bank, has provided the model upon which the banking systems and the Central Banks of other countries have been established.

## A FOREWORD

International banking is still in the stage of development, and it is expected that the next great advance will be the creation of a Central Bankers' Bank, of which we have the embryo in the recently formed Bank of International Settlements. That some such institution is needed is generally recognised, and the glaring maldistribution of the gold supplies has strengthened the conviction of the urgency of this step.

I hope that some day the story will be written of the part which the Bank of England has taken in the work of European reconstruction since the war. To the Bank of England, and especially to the public-spirited action of its present Governor, the countries of Central Europe owe a deep debt of gratitude. At the expense of what might be regarded as its own selfish interest the Bank of England has, in recent years, often come to the help of sorely stricken countries. When, in future years, the History and Romance of the Bank of England is carried up to date, the story of its part in helping the world to recover from the economic and financial ravages of the Great War will be by no means the least in the record of its great services to the world.

The Bank has its critics. No institution is spared that infliction. No institution is in a state of static perfection. Over and over again in its history the Bank has been remodelled to adapt itself to changed conditions. So it will be in the future. But whatever changes in its constitution may come, it is fervently to be hoped that its independence of political influence and intrigue will be rigidly maintained.

I congratulate the writers of this book, as I am sure the reader will do when he has finished its fascinating story,

## A FOREWORD

upon a painstaking work well done. The appearance of the volume is opportune. If critics of the Bank of England will read it, it will give them a more intelligent foundation on which to base their criticism:

## CHAPTER I

FROM MARKET CROSS TO COUNTING HOUSE





# THE ROMANCE OF THE BANK OF ENGLAND

## CHAPTER I

### FROM MARKET CROSS TO COUNTING HOUSE

THE BANK OF ENGLAND is the embodiment of British character in commercial honour and usage. It is our most representative British institution, at once revealing our organising genius, our sturdy love of independence and our highest standard of commercial integrity.

“As safe as the Bank of England” has come to express a tradition of profound faith indicating in itself the assurance both of financial and commercial prosperity. Why such a tradition should have developed, finds answer in the Bank’s story which goes much further back than the history proper of the institution. For here destiny seems to have cast the shadow of the Bank for centuries before it was really founded. Here, on the site of the Bank of England the legend of financial and commercial enterprise flourished with amazing consistency throughout the centuries, from Roman times until the present day, and when in the seventeenth century the background was complete with thriving trading concerns, a busy Royal Exchange, a reputable money market and calm, clear-headed merchants foregathering at the taverns to conduct

## THE ROMANCE OF THE BANK OF ENGLAND

their transactions, the advent of the Bank of England was merely a logical sequence in Britain's commercial history.

The story of how this development came about unravels itself in the following pages.

The area now enclosed by the Bank of England was the very heart of Roman London, or Londinium as it was then called, belted round by a sturdy wall whose gates were securely closed at nightfall to keep the stranger and marauder at bay.

To the south lay the River Thames, and how small was the compass of Roman London can be appreciated from the facts that the Bishops Gate lay in the eastern wall, the Lud Gate and Moor Gate in the northern wall and the Ald Gate in the western. In the very centre of this lay the site which was afterwards to become that of the Bank of England.

The Romans built wisely and well, choosing a position for their towns and citadels which was bound to justify their activities. Here, where Roman London arose, there had been an earlier London, a nucleus of a British settlement strategically placed on the banks of the River Thames, in a clearing in the forest that then ran in almost every direction, and at a confluence of paths that brought the primitive trader to a convenient centre for the bartering of his goods.

Legend endows this early British London with the fantastic name of Troy, a name that is significant to the banking world in so far as it was adopted for the term "Troy measure", meaning "London measure", centuries later.

Here then, on this site probably existed a trading

## FROM MARKET CROSS TO COUNTING HOUSE

centre far back in the dim and distant days of legendary history. It was even more than a centre of trade in the strict sense of the word, it was by a liberal interpretation of the word "barter" a centre for "Exchange", and as such has retained its identity to the present day.

During various excavations that have taken place under the Bank of England, numerous Roman remains have been unearthed, and Roman pavements have been found underlying the whole area of the Bank.

In 1805 a rare specimen of Roman tessellated pavement was found in the Lothbury yard of the Bank and was presented by the Bank Directors to the British Museum. It lay at a depth of only eleven feet, and, to quote the official description, consisted of "the ornamented square centre, measuring four feet each way, of the floor of an apartment eleven feet square. Within a circle in the centre, is a figure apparently designed to represent four expanded leaves, perhaps acanthus, in black, red, and dark and light grey tessellæ, on a white field; round this a line of black: in the angles four leaves of black, red, and grey; and a square bandeau border, similar to that mentioned in the former pavement, environed the whole: beyond this were tiles of an inch square, extending to the sides of the room. On examining the fragments of the marginal pavement which had been taken up with it, evident marks of fire were observed on the face of them; and, to one piece adhered some ashes of burnt wood, and a small piece not quite burnt."

During improvements which were made in 1925, a Roman well dating from 100 A.D., was discovered. Roman coins were dredged from its bottom, thirty feet below the surface of the Bank's foundations, and among other

## THE ROMANCE OF THE BANK OF ENGLAND

objects found was a pipe-clay statuette of Venus, modelled by an early Roman artist. This is preserved in the British Museum.

It has now been established beyond doubt that the Wall Brook once flowed over the site where the Bank of England stands, for when the foundations of the present new Bank were being laid, certain Roman relics were found embedded thirty feet in black mud that was once the bed of a stream. The Wall Brook was a waterway of some importance to Londoners up to the fifteenth century, and although we find a reference to St. Margaret's Church, Lothbury, being rebuilt over the Wall Brook in 1440, the waters of the stream continued to flow in the fields of Hoxton.

London during the various periods of the Saxon conflicts fell upon uncertain times, now being destroyed, now being rebuilt. In times of comparative peace, trade was able to develop and even flourish. The centre for trade would be the open-air market, invariably held in the shadow of a village cross which was the meeting place for the inhabitants of the district. There is no doubt that these market-places existed in London in Saxon times. Scores of Saxon coins have been discovered during various City excavations, many of them denoting on their reverse side the open market with a cross in the centre. In all probability there was one of these crosses at what was afterwards the churchyard of St. Christopher's Church, under whose shadow the Bank of England was later to be established.

This district in Norman times entered on a new and more vigorous lease of life. London within the walls became a rich city, and more so even than during the

## FROM MARKET CROSS TO COUNTING HOUSE

Roman period did its centre become the mart of the metropolis. "Chepeside" was London's famous market in the Middle Ages, "ceap" being the Anglo-Saxon word for "buying". In the alleys running on either side of the Chepe, stalls would be erected, some selling milk, others bread, corn, or fish, and from these wares the streets that later grew up, acquired their names, such as Milk Street, where the milk stalls were displayed, Bread Street, Cornhill, Friday Street (fish was always consumed on Fridays among medieval Christian communities) and Poultry. The market spread in all directions and it is conceivable that it actually touched and even spread over the site of the Bank of England, which is only a few yards distant from Cheapside.

By this time St. Christopher's Church had been built, supplanting what may have been the early market cross. The date of the foundation of the Church, which became famous later as the Bankers' Church, is obscure, and Maitland, in his *History of London* can only say: "As the Origin of this Church is buried in Oblivion, I can come no nearer the fame, than that *Richard at Lane*, was collocated therewith in the year 1368." The Church was familiarly known as St. Christopher-le-Stocks, because in front stood the Mayor of London's stocks, a medieval contrivance of wood and metal cunningly devised to punish wrongdoers by imprisoning their arms and legs while the public mocked and jeered at them. From the stocks the name was taken for the Stocks Market, a market of fish and meat displayed on the site of the Mansion House. A glance at the print facing page 50 will reveal that the Church of St. Christopher-le-Stocks adjoins the Bank of England and, as will be shown later, the history of the

## THE ROMANCE OF THE BANK OF ENGLAND

Church in a curious way is interwoven with the Bank's history right up to the present day.

A stone's throw away from St. Christopher's Church and leading out of "Chepeside" was the district strictly detailed off for the residence of Jews, who, as shown in Chapter II, were the earliest bankers in London. This district became known as Jewry, and later Old Jewry. In a similar fashion the Lombards, when they supplanted the Jews as money merchants, settled down at the entrance to the Chepe, in the street that was named after them, Lombard Street, the street that later became synonymous with the magical phrase "the money market". It was here that after the disappearance of the Lombards, the occupations of goldsmith and moneylender were carried on. At No. 68 Lombard Street lived Matthew Shore, the noted goldsmith of the later Middle Ages, and here too, in all probability, lived his kinswoman Jane Shore, who captivated King Edward IV with her charms, and of whom the ballad ran:

*"In Lombard Street I once did dwell,  
As London yet can witness well  
Where many gallants did beholde  
My beauty in a shop of golde."*

In a more curious way the Lombard tradition lived on after them. Their ensign was that of the Three Balls, an ensign that lingered on throughout the ages and was finally universally adopted by those practising the business of pawnbrokers.\*

Leading out of Lombard Street was a little alley that

\*It is said that even now in some places on the Continent the word "Lombard" is used for "pawnshop".

became famous in London history as Change Alley. Here and in similar places such as Old Change, money was exchanged in the various specie, the control of Exchange being for some centuries in the hands of the English Kings or their Ministers. With the growth of trade and the establishment of trading companies, and with Sir Thomas Gresham's impetus to banking and the opening of the Royal Exchange, a lively vigorous commercial atmosphere was created, the suitable setting for a Bank of England.

As a pleasant background to the hub of commerce and the activities of traders, and in places where offices now crowd one another out, there were sumptuous houses of wealthy merchants with pretty well-kept gardens. Cornhill was common ground and beyond Lothbury from Basinghall Lane to Bishopsgate much of the land, according to Aggas' map dating from 1578, was uncovered, and laid out as gardens. Not ten minutes' walk away from the City beyond Bishopsgate and Moorgate were the outskirts of London, and the countryside stretching for miles in all directions.

A flavour of money and exchange was blended in the "moral sentences" carved on the city conduits as early as 1607. In a scarce and curious black letter duodecimo, printed in 1607, with the title, "Strange Histories, or Songes and Sonnets, of Kings, Princes, Dukes, Lardes, Ladyes, Knights and Gentlement: Very pleasant to be read or songe, and a most excellent warning for all Estats," are the following pithy sayings which "were set upon Conduits in London against the day that King James came through the Citie at his first coming to the Crowne".



THE ROMANCE OF THE BANK OF ENGLAND

UPON THE CONDUIT IN GRATEOUS (GRACECHURCH) STREETE,  
WERE THESE VERSES :

*"Kingdomes change, worlds decay:  
But Trueth continewes till the last day.  
Let money be a slaue to thee,  
Yet keepe his seruice, if you can:  
For if thy purse no money haue,  
Thy person is but halfe a man."*

IN CORNEWELL (CORNHILL):

*"To be wise, and wealthy too,  
Is sought of all, but found of few."*

*"All on this worlds Exchange do meete,  
But when deaths burse•belle rings,  
away ye fleete."*

In this world of money and exchange, industry and commerce, all concentrated within the small compass of the City, there soon grew up the famous City taverns, the haunts of merchants, traders, gossips and roisterers alike. Here, high and low would congregate not only for their relaxation but to conduct a very great portion of their business. These coffee•houses were chiefly in the vicinity of Change Alley and Lombard Street, and being in the centre of the financial world they frequently served as "offices" to the busy City man. Perhaps the most famous houses were "Baker's Chop House" where you could get

#### FROM MARKET CROSS TO COUNTING HOUSE

a real square meal, and "The Shippe" behind Change, which was renowned for its Mountain Wine. But almost equally popular were "Thomas' Chop House" later known as "The George and the Vulture", and "Pope's Head Tavern". "Garraway's", which boasted of being the first place where tea was sold in 1657, shared a large clientele with "Jonathan's" next door, while "Lloyds Coffee House" or "Pontack's Head" was frequently patronised by members of the Royal Society who dined there after their meetings.

At one or other of these houses every man of standing in the City would constantly be seen, and other men of importance or interest, including the diarists Pepys and Evelyn. Pepys, particularly, found relaxation from his duties at the Admiralty and "copy" for his pen, by frequent visits to tavern or coffee-house, as innumerable references in his famous *Diary* testify. On May 17th, 1661, for example, he wrote that he went on "the Lord's Day, to Mr. Wilkinson's at the Crowne," in quest of some of the members of the Royal Society. "The Crown" besides being the meeting-place of the "gimcrack" merchants, as Sir Godfrey Copley termed his fellow members of the Royal Society, has a special significance for readers of this book in that it stood on the site of what is now one of the Bank of England's entrances. On June 4th, 1666, Pepys again writes, "to the Crown behind the 'Change and there supped at the club, with my Lord Brouncker, Sir George Ent, and others of Gresham college". Paterson too, the lonely genius, who devised the scheme for the Bank of England, was a frequent habitué of the City taverns, for the taverns or coffee-houses were then the rendezvous of all and sundry, amalgamating the

## THE ROMANCE OF THE BANK OF ENGLAND

present day "Pimm's" and "Simpsons" of the City man, with the Soho of the Bohemian.

When the Bank came to be founded at the end of the seventeenth century it was lodged for its first three months in the Mercers' Hall. One of the Bank Directors, Sir William Gore, was a member of the Worshipful Company of Mercers, one of the richest companies in London, and in all probability he arranged for the use of the Hall. The Bank, on the expiration of the three months, removed to the Grocers' Hall in Old Jewry, strengthening thereby its historical associations and definitely becoming connected not only with the commerce of the City, but with the financial transactions of the past, for by a freakish working of history, the Grocers' Hall was on the site of an old Jewish Synagogue. The Jews, the Lombards, the City Companies—finance, the money market, industry, all in a curiously woven web became entwined with the progress and destiny of the Bank of England. The old Jewish Synagogue had been handed over by Henry III to the Brethren of the Sack, a religious fraternity which was dissolved in 1307. Later a nobleman's house and a merchant's house stood on the site, and close at hand was the Windmill Inn, a notorious City haunt in the time of Shakespeare. Ben Jonson refers to it as the resort of rioters and gallants, and the poet, Pope, later reproaches its habitués as

*Revellers whose lawless joy  
Pains the sage ear, and hurts the sober eye.*

Such, then, was the historic, economic and literary background of the Bank of England, but in order to understand

FROM MARKET CROSS TO COUNTING HOUSE

how the Bank came to be founded, and why it was founded in 1694, and not earlier nor later, it is necessary to retrace our steps and to give a cursory survey of the growth of early banking in England.



## CHAPTER II

I WILL BUY WITH YOU, SELL WITH YOU . . .



## CHAPTER II

I WILL BUY WITH YOU, SELL WITH YOU . . .

BANKING in England was slower to develop than in other parts of Europe and its seeds were sown, not by the English themselves, but by foreigners.

Banks arise as the result of a need for them, generally in response to the growth of trade and the demands of such a growth, but England's trade development was surprisingly backward in the first part of the Middle Ages. Cut off from the Continent she retained her agricultural character when the towns of the Netherlands, North Germany and Italy were thriving industrial centres. The merchant princes of Florence, Genoa, Milan, Venice, Antwerp, and Bruges, had established themselves as flourishing, enterprising capitalists long before the towns of England had taken steps to organise themselves. Not that there was no trade whatsoever in England. There had been the beginnings of trade before the Norman Conquest in 1066, but the extent, even in the fifteenth century, was inconsiderable so far as internal trade was concerned, and almost negligible, until the fifteenth century, so far as foreign trade was concerned.

The reasons for this slowness of development in England were due partly to lack of initiative and partly to geographical and economic factors. Isolated from the Continent, England found that she could produce at home all that



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was essential to her small population and her very modest needs. There was room, however, to introduce luxury goods from abroad, and to develop the resources of the country with a view to foreign markets. What was needed to open up a trans-Continental trade was enterprise and capital. The English at the beginning of the Middle Ages had neither. In many cases the foreigner had both, and the foreigner stepped in and practically monopolised all the trade of the country during the thirteenth, fourteenth and fifteenth centuries.

Foreign control did a great deal of good. Expert traders as the foreigners were, they encouraged and developed trade, they brought prosperity to the country and perhaps, what was more beneficial in the long run, aroused such jealousy and resentment in the English, that the latter were eventually stirred up to assert their positions as traders themselves and to develop their own trading powers.

Trade prospering, new home markets and fresh foreign markets opening up, it was incumbent to find all possible facilities for trade. The most important of these was capital. The ability to borrow money was essential for trade or industry on any large scale. In this need can be found the germs of English banking.

The Jews were the first bankers in England. Their connexion with the lending of money in the first place is curious. By a mistranslation of the Vulgate of Luke VI, 35, it was implied that the Gospel forbade Christians to take interest on money lent and the idea had grown up in various parts of Europe that a Christian lending money and taking interest on the loan was breaking the laws of the Church, that in effect Christians could not be money-

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lenders and that therefore moneylenders were not Christians. It would be interesting to conjecture how such a theory held at the present day would affect the Banks and the Governments of the world, for it must be made clear that the word "moneylender" had not the invidious meaning in the Middle Ages that it has now; it then literally implied lending money on interest, the word "interest" being the modern interpretation of the medieval word "usury".

There was a whole series of laws dealing with the lending of money on interest, called Usury Laws. By these laws, religious Christians were automatically barred from these financial pursuits, but the Jews being already considered outside the pale of orthodoxy were unaffected by the prevailing ideas. Despised as the Jews were for the fact that they were Jews, they could suffer no further humiliations than they had already suffered by being enterprising. They had little competition at the beginning because of the "un-Christian" character of their work, and they combined with this freedom of activity their natural financial ability. They invented bills of exchange and were therefore able to effect the transfer of property from one country to another. In a very short time they had become the moneylenders, *par excellence*, of the world. But there were pitfalls in their position. Being clever they soon became skilful at amassing money from small beginnings, being Jews they were always at the mercy of any Christian who could abuse them. The Jew had no sure means of procuring the return of his money, for being a Jew he could be victimised by creditors with clear consciences if they were clever enough to outwit him. Hated and resented by nobles and traders alike, the Jews anxiously

turned to the Kings for protection. There they frequently found support not because of any sovereign affection but through a shrewd appreciation of their financial value. This royal patronage, unstable in its origin, was nevertheless comprehensive. It was frequently carried to the extent of the King's protecting the goods, the chattels, the lives of the Jews themselves, so much so that the Jews came to be regarded as belonging in effect to the King. In return for this protective affection the Jews were obliged to contribute enormous fines, presents, and tallages, and had always to submit to financial squeezes, however tight they might be, while the bonds with which the King tied them were sometimes so strong that the Jews could not break away. When a Jew died, his estate escheated to his protector, the King, who could do what he wished with it. Generally, the King realised that a live Jew with an ability to multiply and increase his fortune to a still greater degree, was potentially far more valuable than the mere estate of a dead Jew. Therefore, in practice, in return for an enormous fine, the dead Jew's son was allowed to inherit the estate and remain until the end of his days an indebted and willing servant to the King.

Under this doubtfully benign protection the Jews thrived. It has been said that the greater number of the Norman Cathedrals were built with Jewish money. The charges on loans were high but no higher than those of non-Jewish moneylenders, who, in spite of the bar of religion, had found the loaning of money a lucrative pursuit and were practising it vigorously in various countries. The high charge of interest was the risk value the Jew took of not only securing the interest and the return of loan money, but in many cases, of the actual safety of his life. There

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were numerous cases of the burning of the deeds so that there should be no trace of the loans. York Minster was burnt to the ground because the deeds of Jews had been deposited there for safe keeping. Often the interest on a loan would be allowed to mount up until the death of the Jew, when the debtor hoped from a weak King to evade the debt altogether or make new and more advantageous terms. The fortunes and the lives of the Jews rested on the caprice of Kings. In one reign all might be well, in another reign they would be bitterly persecuted. But in spite of the uncertainty of their protection, or because of it, the Jews applied themselves persistently and diligently to their financial dealings. From being mere isolated money-lenders, they began to develop their business undertakings and by means of co-operation they were able to build up an organised system. Soon they spread throughout the various counties and set up the network of a financial organisation which was similar, in a number of respects, to that of the organisation of a bank with "directors" and "agents". Journet of Norwich, Isaac of London, and Aaron of Lincoln were in a sense the directors, and agents were scattered throughout the districts. So important did their organisation and their financial standing become that after a time they reached a position in which they could transact affairs with Kings. The ruler needed money. He approached the Jews. They advanced money to him on security of the sum of money he was to receive from the Sheriffs of each county. This sum of money, called "the firm", was the fixed sum paid yearly by the Sheriff of a county to the King in compounding for the taxes of that county. Here, then, lay the beginnings of banking in England, for in these monetary transactions large sums of

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money were being lent on reliable security. The Jews advancing the money were acting as the bankers, the King was the client, and the security was the Sheriffs' "firms", or in the ultimate resort the national yield of taxation. An interesting parallel might here be traced between these "firms" that formed the King's security to the Jews, and the annual taxes that six centuries later formed the King's security upon which the Bank of England lent him money.

The Aaron of Lincoln, mentioned above, was England's chief financier in the twelfth century. He boasted of having with his money put the roof on to St. Alban's Cathedral, and when he died in 1186, nine Cistercian monasteries were very heavily in his debt. He left many sons, but his entire estate, his treasure and the debts owing to him were seized upon by the King.

In the next century the Jews fell on hard times; King John wrung every possible penny he could from them. At least one-tenth of his yearly income was obtained from the Jews, and on every conceivable occasion he extorted heavy fines and taxes from them. Eventually even the business acumen of the Jews could not enable them to withstand the constant drainage of their money and the bitter persecutions that befell them. By the middle of the century they became wretched and impoverished, and in 1253 we find the remarkable petition to the King, of Elyas, the Chief Rabbi, in which he begs permission for the whole of Jewry to leave England on the ground that life for them had become intolerable, and adds that in view of the new moneylenders and merchants, the King had no longer any need of the Jews.

The petition is significant, if for no other reason than that it points out the financial usefulness of the Jews to the

King and introduces their rivals, the new money-lenders, the Lombards.

Merchants from the Lombard plains of Northern Italy had, together with numerous other foreign merchants in the twelfth century, settled down in London and established important trading relations with their home markets. The Causini were their forerunners, and they practised usury to a much greater extent than did the Jews, so much so that they were threatened with banishment. An important family of the Lombards, the Friscobaldi, became exceptionally prosperous. Their business and financial skill soon began to compete with that of the Jews themselves. They had no religious scruples about the lending of money and the taking of interest and rapidly they became much-sought-after money-lenders, and their defection from the so-called accepted paths of Christianity was overlooked. The Jews had always been hated by the people, but the Lombards were at least Christian, although money-lenders. The King therefore found it an easy matter, especially when the Jews had become impoverished, to transfer his protection to the newcomers. In 1290 the Jews were expelled from the country, (there had been a recrudescence of anti-semitism as a result of the Crusades which were being fought during the century), and the Lombards were patronised in their stead. The Lombards, like the Jews, lent enormous sums of money to the King, and like the Jews lent on national security, in their case on the parliamentary grant to the King of the subsidy on wool which formed the greatest and most reliable part of the annual budget of the time.

The Lombards were not only loaners of money and practising medieval bankers, but skilful goldsmiths and

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silversmiths. They thrived even more prosperously than the Jews had done before them. They developed both the craft side and the banking side of their pursuits, and were often the admiration and the envy alike of the English. Later, with the growth of foreign trade, more foreign merchants flocked to England, in particular the German Hanse merchants and the Flemish merchants, and all were encouraged at first to settle down in London. Inevitably, however, keen rivalry sprang up between the English and the foreigner which found a rough and ever ready voice in the respective apprentices of the time. In the thirteenth, fourteenth, and fifteenth centuries, the annals of London are full of street brawls and riotings, and the masters in spite of many honest endeavours had more than they could do to control their underlings. Rigorous regulations had to be passed about the closing of taverns, the hours of freedom and the chastisement of apprentices. In this connexion it is interesting to find in Leonardo da Vinci's diary, written about the year 1495, the following:

### SONG OF THE LOMBARD CLERKS.

*Come leave the men, your masters  
To the tallying o' their wealth Sir,  
And we'll hie us to the tavern  
To drink their very good health, Sir.*

*For not a single drop we'll miss,  
No, not a single jot, Sir  
All our life to the cask we'll go,  
And by the cask we'll stop, Sir.*

I WILL BUY WITH YOU, SELL WITH YOU . . .

*Wine I love and singing to it,  
And the Latin Graces,  
If I drink my throat'll do it,  
Better than Horatius.*

*Vintage spurs our brains about,  
Dum Vinum Potamus,  
Lauds to Bacchus let us shout,  
Te deum laudamus.*

Without a doubt the song was sung in the streets of Italy. Whether or not it was sung by a riotous crowd of youths in what is now the austerity of Cheapside, Cornhill, and Lothbury, only the ghosts of the past can tell us.

The Lombards introduced into the country a coin of their own, the florin, which soon became an accepted part of the coinage of the country. They gave a tremendous impetus to trade, but they in their turn came to be as much hated as the Jews. A statute was passed in 1342, in King Edward III's reign, prohibiting usury or the taking of interest on loans as being a bane to commerce, and on the strength of that statute a petition was presented to the King asking for the banishment of the Lombards on the grounds that they practised usury. The petition failed because the King needed his money-lenders, and the Lombards remained, a useful but persecuted and unpopular section of the community. An instance of the treatment to which at any time they might be subjected is reflected in the following case. In the year 1376, a man named Ralph Cornwaille borrowed £10 in cash from a Lombard, promising to repay it with £2 interest. At the end of the specified period he returned not the £12, but



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only the £10 steadfastly refusing to pay the interest. The case was brought before a court and Ralph Cornwaille pleaded "that the horrible vice of usury by such evil devices may not run its course". He won the day and the Lombard moneylender was committed to prison until he had paid all the costs of the case, freed his client Cornwaille from all his obligations and paid a fine equivalent to the interest that he had claimed. In spite of such treatment the Lombards were able to stand their ground and established themselves so firmly that the district where they settled down in London became the hub of financial transactions and has remained so ever since—"Lombard Street" being characterised nowadays by the term "MoneyMarket".

There were, therefore, in the Middle Ages, sets of people who exercised the functions of lending departments of banks. There were other "banking" functions, however, which were exercised by the central authority.

From the time when government became highly organised it was found necessary to put the financial affairs of the country on a sound basis and to have a national system of collecting State revenues and depositing the receipts in safe custody. For this purpose, King William I, who based his statesmanship on a keen appreciation of the value of finance, founded the Exchequer. It was William I who had brought the Jews to England from Normandy, hoping undoubtedly to master the country by a combination of Norman ability in governing with the equally important Jewish skill in the management of money. The Exchequer became the royal office where fines, dues, grants and other feudal payments were made to the King. Its name was in all probability derived from

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the word "scaccarium", a scaccus, or chequered cloth being used for assistance in counting. Official receipts for monies paid into the Exchequer were given in the form of tallies, the word being a direct use of the French "taillie" meaning "a cutting". A tally would be made from wood, generally from a stick of dried hazel, which had previously been cut square and uniform at each end. The amount of money paid was indicated by notches made in the wood. The stick would then be carefully split, making two tallies identically the same as regards the notches and fitting exactly when put together. One of these tallies would be kept by the payee, the other by the Exchequer. It was a rudimentary method of our present day "paying in" system, with its tear-off slips and counterfoils, and had the great advantage of practically obviating all possibility of fraud. The tallies were stored in the Exchequer for centuries. Incidentally this led to an historic catastrophe years later. (In 1834, it was decided that as the Tally Room at the Exchequer was required for a temporary Court of Bankruptcy, the tallies and foils not in use should be destroyed. After some vague deliberations on the method of their destruction, it was left to the Clerk of Works, a Mr. Weekly, to effect their despatch. He commissioned two workmen to remove them on the evening of Wednesday, October 13th, to the cellars of the House of Lords, so that they might be burnt in the furnaces the next morning. The men started the burning the next day at 6 a.m. Instead of carrying out instructions to proceed carefully and slowly, they stacked up huge fires of tallies and continued recklessly until five o'clock in the evening. By that time the tallies had all been stowed in the furnaces, but so overheated had the flues become that at about half

past six a fierce fire broke out which blazed furiously and could not be brought under until practically the whole of the two Houses had been gutted. The next morning there was a mass of ruins and the country was faced with the necessity of building new Houses of Parliament, which are the Houses in existence at the present day.)

But to return to the Middle Ages. The Exchequer then was the repository of all the State revenues, and from that angle might be regarded as the Bank of the Lord High Treasurer who administered the King's financial affairs.

In another respect the King exercised powers that now automatically come into the sphere of private and national banks. Royalty had the monopoly in dealing with matters affecting foreign exchange. Generally, though not invariably, this monopoly was granted to a favoured individual who became King's Exchanger in return for a large sum of money to the King. In the fourteenth century a special part of London, near Cheapside, was devoted to this purpose of Exchange. During this period, particularly, the process of Exchange brought in a considerable revenue, for one penny and sometimes three-halfpence would be charged on every noble (6s. 8d.) used in the transactions.

It was this century that saw the growth of towns corresponding to the early development of trade. It is not surprising therefore to find at this time a systematising of the currency of the country, for the currency question would be one vitally important to the merchants of the day. It is said that a thirteenth-century King, Henry III, had decreed that the standard weight should be deduced from the weight of a grain of wheat taken from the middle ear. The weight of thirty-two of these, well dried, was to

constitute a pennyweight, twenty pennyweights to make one ounce, and twelve ounces to make one pound Troy, Troy weight being London weight, for London was showing indications, even in the fourteenth century, of becoming the foremost trading city in the country.

Mints during this period were found in all the important towns, some towns possessing several, the privilege of minting being granted as a rule in return for a substantial consideration to the King. Here lay one of the difficulties of the time. The number of mints led to a variation in the quality of coin with the consequent fluctuation in the value of money and the unstabilising effects on trade. Attempts to counteract this were made by the King's Exchange whose officers were charged with the duty of issuing coining irons to authorised coiners of money. These irons consisted of one standard, one staple and two punchions. When the irons were worn out the officers of the Exchange had them returned with a comprehensive account of the sums of money that had been coined. The whole business of coining came under the surveillance of the Company of Moneyers, an ancient Company mentioned in Alfred's time.

The increased commercial activity in the fourteenth and fifteenth centuries speedily took the form of organised trading bodies, the Brotherhood of St. Thomas à Becket which afterwards developed into the prosperous Company of the Merchant Adventurers, and the Merchants of the Steel Yard being the outstanding examples. The latter were German merchants who came to England in Henry III's reign and soon excited so much rivalry and resentment that they were forbidden to rent their own houses or warehouses in London. They had to lodge with brokers

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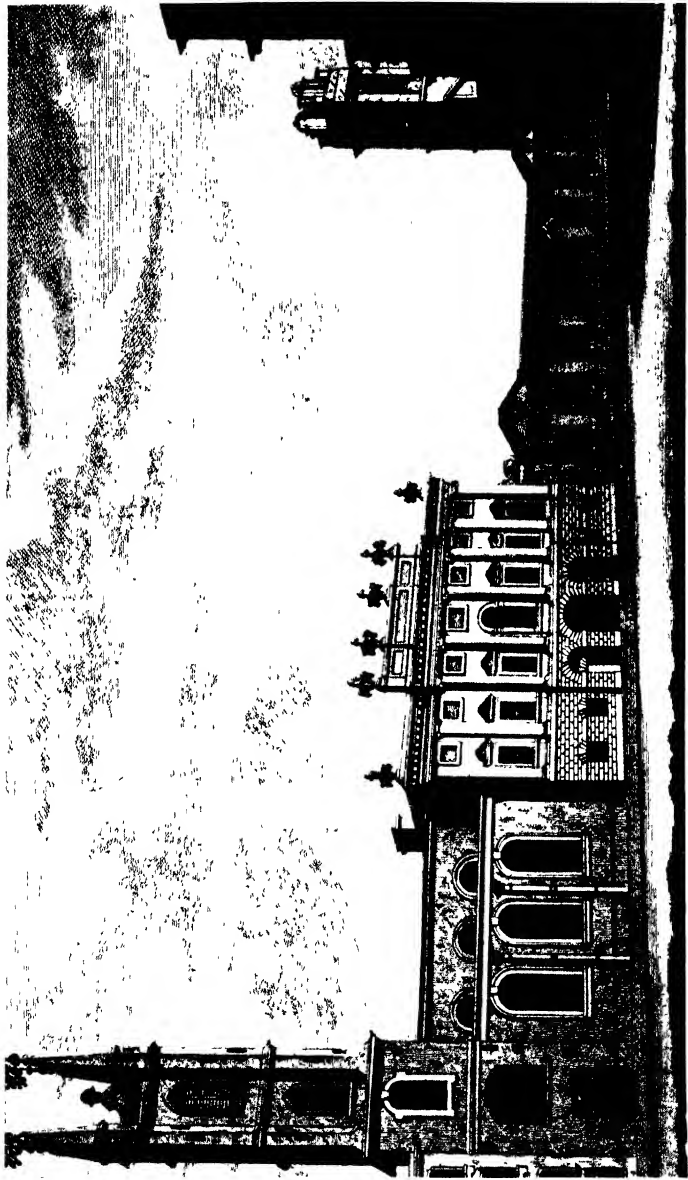
through whom their transactions were effected, until 1284 when the restrictions on them were removed and they were permitted to settle down more or less freely. The Steel Yard, which became their headquarters, was one of the important commercial nuclei of the City and it is interesting to note that it was on the site of the present day Cannon Street Station, the "Bankers' Station" as it is called, right in the heart of twentieth-century Bankland.

Both the Merchants of the Brotherhood and the Merchants of the Steel Yard were loan contractors as well as merchants, advancing money on loan to the King as well as to private individuals.

While banking was in its infancy in England it had progressed a great deal in other European countries, and with the development of English foreign trade and the subsequent furtherance of International contacts England became more familiarised with banking elements.

Italy, the country of the Lombards, was the real home of banking. In every important city in Italy there were numbers of private bankers lending money to traders, merchants and Kings, many of whom played the part of merchant in a private capacity. One King of England, Edward III, borrowed extensively from the Bardi and the Peruzzi of Florence, whose commercial activities were so multifarious and reliable as to earn for them the glowing description of "pillars which sustained the great part of the commerce of Christendom". When Edward III of England repudiated his debt of 900,000 gold florins to the Bardi and 600,000 florins to the Peruzzi he is said to have caused both houses to go bankrupt, bringing ruin in their wake to hundreds of homes in Florence.

Banking terms have probably been derived from the



*J. Malton Delin*

*Adam Smith, Sculp*

ST. CHRISTOPHER'S CHURCH, THE BANK OF ENGLAND, AND

ST. BARTHOLOMEW'S CHURCH

From an old print, 1734



Italians. Apparently "monte" was the word used to denote a joint-stock fund, and later "banco" which the Germans altered to "banck" was taken to indicate a large mound or pile of money. In this connexion might be mentioned details which if accurate are exceedingly interesting. It is said that just as the money changers in the Bible used to pile all the money they were to use on tables in public places, so the Italian bankers would display on a table, a board or a counter, all the money that was to be lent out, this board being called "banco". If the unfortunate condition was reached of being unable to pay out, the table was publicly broken (*ruptus*) and the money-lenders were said to be "bancorotto" or bankrupt. At quite an early date the people who sat at the table dealing with the lending and exchange of money were called "bankers".

A noteworthy instance of an early bank was the one that flourished in Venice in 1157. Its origin is particularly significant in so far as it arose because of the Venetian State obligations which had to be administered. It served as a transfer office for the National Debt. Thus early it was realised that banking and the needs of the State were closely intertwined. Later in 1587 it developed its deposit side, and was in 1619 firmly re-established. In the middle of the fourteenth century there is said to have been founded a bank at Geneva, and fifty years later one at Barcelona, but neither of these achieved the fame of the Italian banks.

The founding of the Bank of St. George at Genoa is typical of the manner in which banks arose, as a result of urgent needs when the State was in difficulties. Because of the numerous wars of the fourteenth century Genoa had borrowed extensively on the pledge of her public revenues,



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the produce of her taxes being used for the compounding of these loans, with the excess being paid into the Treasury. By the beginning of the fifteenth century there was such a multiplicity of loans that it was felt imperative to have a special body administering them. The Bank of Genoa was therefore called into existence and acted as an intermediary between the State and her creditors. So important and valuable was the Bank regarded by the State that it was placed far and away above party politics, which at the time were very bitter. Every Senator on entering office had to take an oath promising to maintain the privileges of the Bank, which were also confirmed by the religious and the lay rulers of Christendom, the Pope and the German Emperor. Eventually its position became so powerful that it came to be regarded as the adviser of the Government and when occasion demanded it was ready like a sovereign authority to equip armaments and undertake war. The Bank actually conquered the island of Corsica and had it administered by a company of merchants.

## CHAPTER III

WHERE MERCHANTS MOST DO CONGREGATE



## CHAPTER III

### WHERE MERCHANTS MOST DO CONGREGATE

THE enormous development of trade in the fifteenth and sixteenth centuries, coupled with the need for greater facilities under the Tudors and the insecurity of capital and the money market under their successors the Stuarts, are the prelude to the establishment of the Bank of England.

Under King Henry VII at the end of the fifteenth century, much needed encouragement had been given to home industries and to the opening up of new markets abroad. Henry VII was an astute monarch and most of his treaties with foreign rulers had trading agreements embodied in them, and in the case of one country in particular, Flanders, he used the economic lever with such skill as to bring that country to its knees.

Flanders during this period was one of the most, if not *the* most important country manufacturing wool. Her towns of Ghent, Antwerp, and Bruges, were the homes of merchant princes whose wealth and regal manner of living often surpassed that of Kings themselves. These towns were dependent upon a steady supply of raw wool which England exported. To England as well as to Flanders the wool trade was of prime importance. Agricultural lands were speedily transferred into pasture lands and for the first time in English history, capital on a large scale was

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needed to buy sheep and buy up fields to transform agricultural estates into sheep-grazing meadows. Then the country began to awaken, a merchant class of great importance began to develop, looking for fresh markets abroad and new openings for enterprise and capital, and the country entered on a period of intensive commercial activity. Even Kings became traders, handing over their affairs to merchants whom they could trust.

With regard to the merchant class the Tudors took a very definite policy. Realising the importance of money, (Henry VII had been a penniless exile before he became King of England) and consequently the importance of trade, Henry and his successors not only encouraged trade in all its different aspects, but deliberately and openly raised and gave favours to a new class of people whose existence had scarcely before been noticed, the class of traders and merchants, *the middle class*. This class was practically the creation of the Tudors who gave them status by allowing them to supplant the old baronial class at Court and in the King's Council. In return, they became the staunchest supporters of the Tudor monarchy, realising that the royal protection meant prestige and encouragement. The firm rule of Henry VII after the turbulence of the Wars of the Roses gave the country that which it had most desired for a century, a period of peace during which trade had its chance to develop and traders a comparative spell of security.

In Queen Elizabeth's reign, during the latter half of the sixteenth century, trading increased by leaps and bounds. As in literature, so in commerce, the Englishman seemed to have entered on the "spacious days" for which the reign is famous. To all who know anything of Tudor history

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it will be unnecessary to do more than mention that it was the age of expansion, as never before nor since, for the Elizabethan navigators opened up trade routes to every quarter of the globe and Europe, that had imagined itself the only continent that counted, found itself merely one of the main divisions of the world. Incidentally, England benefited more than any other country, for hitherto she had been on the margin of the world, now she was nicely placed in the centre where trade routes going from the east to the west, and the north to the south, could conveniently meet. England found herself before long on the highway of the nations, and with her insular conditions she was able to command a unique position which soon became the envy of other countries.

Trading companies which had been growing up during the last two centuries now became corporations of wealthy merchants equal in position and almost in riches with those found in earlier days in Flanders and Italy. Of these corporations, the Mercers' Company, the Goldsmiths' Company, the Grocers' Company, the Fishmongers' Company, to mention but a few, are names that have stood for solidity, position, wealth and influence, from the time of Elizabeth up to the present day. They are still the great names in the City, and when they are mentioned one immediately thinks of the money market and all connected with it, including the Bank of England. That the connexion has always been very close will soon be seen.

The Companies, with their respective Guilds which were amazingly well organised commercial, administrative and social bodies, developed as the middle classes and trade developed, and as fresh overseas markets were opened up.

Apart from the Companies as such, names of important individuals stand out. Foremost among these is the name of Gresham, a name for all time associated with trade and banking. Sir Richard Gresham, father of the famous Gresham, held the office already referred to, of King's Exchanger for Henry VIII. In that capacity therefore he was discharging banking duties and privileges that by right belonged to the King. Sir Thomas Gresham, the son, a mercer as well as a goldsmith, had early acquired a knowledge of the trade of other countries, particularly that of the Netherlands, which had a great deal to teach England in the way of trade transactions and organisation. He had especially studied the "Burse" at Antwerp on which later he planned the Royal Exchange. He was officially "The Royal Merchant" with Queen Elizabeth's business of foreign trade and exchange entirely in his hands. At his house he received foreign princes and other potentates who might be visiting Elizabeth. Having become one of the richest merchants of his time, he set to work to organise the commercial mechanism of the country. His aim, he said, was to serve his Sovereign Mistress Elizabeth and his country, by making England independent of the foreign money market and establishing instead a money market in England, "not to use strangers," he remarked, "but the Queen's own subjects that it might be seen what a prince of power she was." His wealth, his persistence and his universally acknowledged financial genius led to the realisation of his aim, the founding of the Royal Exchange in June, 1566. It was formally opened in 1571. It had its rivals in the burses of Antwerp, Venice, Genoa, Florence, and later Amsterdam, but it soon outstripped them and throughout the succeeding centuries fulfilled even the

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dreams of a Gresham. To-day it still stands surmounted by the Gresham Grasshopper, forming, together with the Bank of England opposite, the very kernel of the City of London and the symbol of Great Britain's commercial ascendancy.

Inseparably, the Gresham tradition is woven into the web of banking. The Gresham Law, expounded by Gresham, of bad coins driving out good ones, is still a fundamental axiom of banking. His creation, the Royal Exchange, became the money market and the meeting-place of merchants from all over the world. Banks that would arise would grow up near the Royal Exchange—a big bank, a central bank, a national bank, would sooner or later be established, and would naturally be founded where the soil was already prepared, where the atmosphere was right, and the traders and merchants ready and waiting. Moreover, 68 Lombard Street, where Gresham lived and carried on his banking business, and later Gresham House close by in Broad Street, became the recognised banking adjuncts to the Royal Exchange. Through his establishment in Lombard Street at the very house where Matthew Shore had lived, Gresham happily linked up the past, present and future of banking so far as his period was concerned, for though the Lombards had long since lost their identity the street retained both the name and the banking associations that had made it famous in the Middle Ages.

Gresham erected the Grasshopper over his house and so great and respected was his position in the financial world that "At the signe of the Grasshopper" became the password for all bankers and merchants of standing. In effect therefore the Bank of England, when it eventually material-



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ised, may be said to have been the natural corollary to the Gresham tradition. That materialisation was not to take place however for over a hundred years.

In the meantime there was a prosperous country, a tremendous impetus to trade, and a conflux of foreign merchants continuously in London. Among other facilities to traders were Queen Elizabeth's measures in improving the coinage by establishing one mint for the whole country, in the Tower of London, and reviving an act of Henry VIII fixing the rate of interest on money lent.

A suggestion for a national bank was made in Elizabeth's reign by a foreigner named Christopher Hagenbuck. The said Hagenbuck, in November, 1581, presented a petition to Elizabeth in Italian, claiming that, he had found "a method and form in which it will be possible to institute an office in which shall enter every year a very large sum of money without expense to your Majesty . . . that not only your Majesty will be able to be always provided with whatever notable sum of money your Majesty may wish, but by this means your State and people also; and it shall keep the country in abundance and remove the extreme usuries that devour your Majesty and your people." Hagenbuck asked as commission 6% of the total receipts every year for twenty years. Apparently the Queen, being a hard driver of a bargain, would agree only to 4%. The arrangement was confirmed by the Queen's great seal and signed by the Queen's secretary, Francis Walsingham, but for no reason that one can now divine, the whole thing was dropped and nothing more heard of the matter, and the birth of the Bank of England indefinitely delayed.

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England was undoubtedly behind the times, for on the Continent, banks in the modern sense of the word were being established from the sixteenth century onwards. They were of two kinds, exchange banks, and deposit banks, the former being banks to which anybody might bring money or bullion for deposit and withdraw money or the equivalent of bullion whenever it was desired, the latter being the outcome of political or economic exigencies, owing their origin to the grant of loans and being from the nature of their organisation closely linked up with the general trade and industries of the country. To this latter class belonged the world-famous Bank of Amsterdam. In the important towns of Holland, particularly in Amsterdam, merchants from all parts of the world met together. Dutch financiers, appreciating the importance of a city where there was a continual gathering of traders, seized a favourable opportunity and established the Bank of Amsterdam in 1609. It was an Exchange Bank, dealing first and foremost with foreign exchange, and aiming thereby at facilitating trade with other countries. From its inception it held a supreme position in Europe and became the envy and admiration of various countries. Its success greatly impressed and influenced merchants in England, and contributed to a large extent to the movement for a national bank.

Encouraged by the success of the Amsterdam Bank, a bank was established at Middleburg in 1616, one at Hamburg in 1619, and one at Rotterdam in 1635. There was also a famous bank at Nuremburg. In Sweden, a national bank called the Riksbank was set up in 1656 by the Government itself and two years later a Swede named Palmstruck invented the bank-note. Actually,

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bank-notes had been in use in China as early as 800 A.D., but so far as Europe is concerned Palmstruck's invention was in all probability quite new.

With the example of successful banking abroad, it is surprising to find no bank in England. The middle classes were quite ready for it, trade would have prospered considerably by its establishment and yet no steps were taken. In London itself the very ground seemed to have been prepared. To a visitor walking through what is now known as the City of London there were all the outward signs of a vigorous commercial nation. On the one side was Lombard Street, England's money market, with the Grasshopper house standing essentially for English commercial enterprise and ability. One doorway of the house led on to Change Alley, whose name is sufficient indication of the character of the business carried on in the street. A stone's throw away there was, until 1597, the famous Steel Yard, the home of German traders and the nucleus of a great deal of the trade of the country. When it was closed by order of Elizabeth as a result of English competition, the district retained its old commercial significance. Many of the great English trading companies had their halls and Guild Houses in the vicinity. The Merchant Taylors' Hall was in Threadneedle Street, again the name denoting the specialised industry carried on there, while the hall of the Grocers' Company was in Old Jewry, where in the Middle Ages the Jews in London had been given permission to live and had pursued their financial transactions. Near by were the Fishmongers' Hall, the Saddlers' Hall and the Guild Hall itself, the common meeting place for representatives of the various Guilds and the expression of commercial organisation and administration in England.

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On all sides were busy thoroughfares in Cheapside and in the numerous little streets and alleys that ran into it, while dominating all was the newly-erected Royal Exchange, the pride of every Londoner, and the magnet for merchants from near and far.

In spite of Gresham's example, banking was slow to take root. There was a decided prejudice against individual bankers, and people with money that they wished to place in safe keeping preferred the apparent solidity and security of the Royal Mint to private banking houses. The Royal Mint was in the fortress and stronghold of the Capital, the Tower of London, and here the leading merchants of the country stored their money, entrusting their bullion and cash to the protection of the Crown. This practice continued for generations and seemed to be a satisfactory one, but the people had failed to reckon with their Kings and the merchants had a rude awakening when in 1640 they were robbed by King Charles I. There was at that time about £130,000 lodged in the Mint belonging to City merchants. The money was in transit for Dunkirk, having been brought from Spain for that purpose. Charles I, who for years had been struggling against constitutional control, had reached the stage when he meant to get money by what means he could, foul if not fair. He had already attempted a wholesale debasement of the coinage which led to a 10% rise in prices. The outcry against him had been so great that he had withdrawn his orders and instead seized upon the merchants' money in the Tower. The merchants and the whole City of London were horrified. They remonstrated with the King that this was sheer robbery, that their trade would be ruined and the commercial prestige of the country would

be shattered. After a great deal of discussion Charles reluctantly promised to return all but £40,000 which was to be considered a loan to him to be repaid with interest out of the customs receipts.

Though later both the loan and the interest were paid, this royal robber actually did more for banking, and indirectly contributed more towards the establishment of the Bank of England, than any theoretic argument could have done. Of one thing the merchants were certain, that the Mint, under the monarch's patronage, was no safe place for their money. Other devices had to be discovered, for quantities of bullion and coin could not be stored at home with any degree of safety. The only people who had places where valuables could be left were the goldsmiths, and in spite of the reluctance to do so merchants were compelled to turn to the goldsmiths for safe depositing of money.

The Gresham tradition had not died out and Gresham House itself had retained a high position in the limited world of banking, under a succession of goldsmith-bankers, notably one Smythe, Gresham's apprentice. Charles I's sleight of hand gave banking the impetus it needed. Numbers of goldsmiths now began to practise banking. To start with, they were probably paid for keeping money safely in their custody. As the habit grew, goldsmiths found themselves with large sums of money that might not be called for for years. Merchants were often in the position of needing ready money for a short time and began to turn to the goldsmiths for loans on interest. With the progress of events it became very profitable for the goldsmiths to attract depositors and even pay them interest for money left with them and in their

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turn make loans on security. In this way extensive banking businesses were gradually built up.

There were always a great number of people however who felt that only their homes could be safe for their money. When war broke out between Charles I and Parliament in 1642 the country was plunged into a serious state of disorder. Trade was alarmingly affected and nothing was felt to be secure. Clerks and apprentices availed themselves of the general upheaval to enter into clandestine commercial transactions with the money belonging to their masters, surreptitiously lending out their employers' money to the goldsmiths at 4% per day. When the delinquencies of their employees were discovered, and by the time that was done speculation in their masters' money had become widespread, men of wealth found it far more satisfactory to lend their money direct to the goldsmiths at 6% while the goldsmiths preferred dealing with men of status to dealing with clerks and apprentices at the higher rate. Landed proprietors began to entrust their rents to the goldsmiths and within a comparatively short time the goldsmiths became one of the most important and influential classes in the country, holding the credit of the country in their hands.

After awhile, notes came to be issued as a more convenient means of transferring money. These were of two kinds, goldsmiths' notes which were written promises from the goldsmith to pay to the recipient's order or bearer on demand a certain sum of money, and notes from the customer, equivalent to cheques, directing the goldsmith to pay from the customer's account a specified sum of money to a specified person.

The goldsmiths also exercised the rights of exchange,

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customers naturally turning to them for all money transactions. This part of their business was so profitable even during the early years of Charles I's reign, that the King, who had done a great deal of research into legitimate and illegitimate ways of raising money, was reminded of the fact that in the Middle Ages, and even in the days of the early Tudors, the control of the Exchange was one of the royal prerogatives. This of course referred not to the building erected by Sir Thomas Gresham but to the exchanging of coin of different countries into the required specie. The King, it will be remembered, used to appoint a Royal Exchanger to carry out the duties of the office, but since Henry VIII's time the office had been abolished. Charles revived it in spite of a vigorous protest and a petition which was sent to him by the Goldsmiths' Company, the Lord Mayor, Aldermen and Common Council of London, begging him in the interests of trade not to press forward with the matter. His reply was characteristic. "Trouble me no more in the matter, since my right to the office is undoubtedly clear." Fortunately for the goldsmiths, the Civil War swept away numerous privileges rightly or wrongly claimed by the King, the office of the Royal Exchange being one of them, and the goldsmiths quietly re-assumed control in that sphere.

From this time onwards the history of banking is more closely than ever bound up with the history of the country, the one being the index of the commercial prosperity of the other.

After the Civil War the country settled down to the statesmanlike rule of Cromwell, who aimed not only at constitutional government, wherein he failed, but at economic development, in which he succeeded.

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Holland, the world's leading trading country, was England's rival. England was a good second and Cromwell determined to make her first. By passing the Navigation Act he challenged Holland's monopoly of the carrying trade. By going to war against Holland and bringing it to a successful finish he not only wrested from Holland the carrying trade which was to bring England such enormous prosperity, but he also opened up for England trade with the East Indies from which hitherto Holland had shut out all competitors. Banking in its turn benefited considerably from the commercial development. In order further to benefit trade Cromwell fixed the rate of interest at 6%, James I having last fixed it at 8%.

By a wise measure Cromwell added still more to the general prosperity. He allowed the Jews to return to England. This has always been attributed to Cromwell's toleration and magnanimity, but he was above all a perspicacious statesman. It was well known that Holland, with which foreign country Cromwell was chiefly concerned, owed her commercial position to a great degree to the work of the Spanish Jews who had settled there. In other countries Jews had had an equally successful influence on trade, their wealth and commercial ability attracting merchants and trade to the towns where they resided, and Cromwell in the financial difficulties in which he soon found himself as Protector, had had to turn to the goldsmiths for loans on more than one occasion. The Jews might, he conceived, offer him more satisfactory terms. He was naturally tolerant, and the Jews were therefore permitted to return. Their presence in England undoubtedly improved the money market at a time when trade was steadily increasing and new markets were opening up.



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The economic development found reflection in two interesting treatises. In "Some considerations of the two grand staple commodities of England" the writer, after advocating the fostering of the fish and cloth trades as being the staple trades of England, urges the establishment of a bank in London which, he says, would greatly facilitate trade. Some years later, in "Seasonable observations humbly offered to his highness the Lord Protector" the topic is mainly the need of a bank fashioned on the lines of the bank in Amsterdam, which the author claims had done so much for the trade and prosperity of Holland.

The state of commerce, the desires of the nation, the example of other countries, were all pointing to the need of a national bank, and yet no steps were taken to establish one. It had to wait for a special set of political circumstances before its foundation could actually be laid.

When Charles II came to the throne in 1660 he found himself from the very beginning turning to the goldsmiths for money. During the whole Stuart period, starting in 1603, the problem of finding money for government purposes as well as for personal expenditure had been at the root of all the trouble between people and rulers. Charles II had in him a great deal of his father, Charles I. His belief in his royal supremacy was, though secretly as great as that of Charles I, tempered to a judicious state of lending one ear at least to public opinion when this was convenient. He was more capable and less scrupulous than his father and when eventually he robbed, he robbed thoroughly and well. At the beginning of his reign he needed about £250,000 for disbanding Cromwell's army. This sum had to be raised in a few days, for the army was both expensive and dangerous to maintain. The gold

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smiths were exceedingly obliging and the King in return exceedingly gracious, and the terms made were satisfactory to both parties. Having once had recourse to the goldsmiths and discovered them amenable, the King turned to them in every emergency and after a while found them absolutely indispensable. His methods of approach were either to send his ministers to the goldsmiths, or invite the goldsmiths to wait on him at Court. He made private transactions with individual goldsmiths. At the beginning, the rate of interest charged the King was usually 8%, on securities of monies that were to come in. A contemporary writes: "The King always treated them (the goldsmiths) very graciously as his very good servants, and all his ministers looked upon them as very honest men." Their business of banking became very extensive and it is during this period that some of the great banking houses of the last two centuries were firmly established, chief of them being the Childs and the Martins, (which originated in Elizabeth's day) and the Hoares.

The term "banker" now comes to be used for the goldsmith acting as banker. One of the most important bankers of the time was Edward Blackwell, who acted as banker for King Charles II, the Queen Mother, Henrietta Maria, James, Duke of York, the Prince of Orange, Pepys, and the East India Company. Again everything seemed most satisfactory and secure, but again there was to be a serpent in the grass, and again that serpent was to be a royal one. Bankers making loans to the King did so ostensibly on security on revenue coming in from national sources, such as customs and taxes, in actual practice they lent on the King's word of honour and after a while this word began to show unsatisfactory signs of wavering.

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When this was noticed the bankers naturally raised their rate of interest accordingly, in some cases raising it to 20% and even 30%, but so great was Charles' need that he had to accept whatever terms were offered him. This evoked much bitter comment on the part of the King's friends and apologists, though not apparently on the part of the King himself. Pepys, in a typical passage says: "Sought out Mr. Coventry and told him the complaints I meet every day about our Treasurer's or his people's paying no money but at the goldsmith's shops, where they are forced to pay 15 or sometimes 20% for their money, which is a most horrid shame, and that which must not be suffered. Nor is it likely that the Treasury (at least his people) will suffer Maywell the goldsmith to go away with £10,000 per annum, as he do now get, by making people pay after this manner for their money," and another contemporary, Macpherson, who felt constrained to publish a righteous attack on the bankers, wrote: "Charles being in want of money, the bankers took 10% of him barefacedly, and by private contracts on many bills, orders, tallies and debts of that king, they got 20%, sometimes 30%, to the great dishonour of Government: this great gain induced the goldsmiths to become more and more lenders to the King, to anticipate all the revenues, to take every grant of Parliament into pawn as soon as it was given; also to outvie each other in buying and taking to pawn bills, orders and tallies, so that, in effect all the revenue passed through their hands."

There was of course the other side of the picture, the interest paid out on monies lent, and to be quite just to the much maligned goldsmiths it is only fair to quote again, four years later, from the invaluable Pepys.

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"I went out to Lombard Street," he says on the 30th March, 1666, "and there received £2,200, and brought it home and contrary to expectation, received £35 for the use of 2,000 of it for a quarter of a year, where it hath produced me this profit, and hath been a convenience to me as to care and security of my house, and demandable at two days' warning as this hath been."

Charles added to his financial embarrassments by engaging in a war with the Dutch. For the first time in English history the enemy was so successful that London itself was threatened, Dutch vessels actually entering the Thames: Panic set in, the first thought of the Londoners was to get their money and flee for safety. They turned to the goldsmiths who had been entrusted with practically all the surplus money in the kingdom and demanded their savings. It was the first of a long series of "runs on banks". The goldsmiths could not pay out, for by far the greater portion of their money had been lent to the Government. Panic increased and became so great that Charles thought it wise to issue a royal proclamation assuring everybody of his benign protection and promising on his "royal word" that the money the goldsmiths had lent him would be paid by the Exchequer as usual with the interest. The people were calmed for the time being. A few years later a fresh war broke out with Holland and by that time Charles had got himself involved in a promise to pay a large sum of money to the King of France, with whom he had made a secret treaty. Suddenly, in January, 1672, without any warning, Charles, on his own authority, closed the Exchequer and suspended all payments. That such an action should have been perpetrated by a King of England, was at first unbelievable, then slowly did the calamitous

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results dawn upon the nation. The King was at the time indebted to the bankers to the extent of more than £1,300,000 and the bankers had over ten thousand creditors. They had been entrusted with the savings not only of landed men and merchants, but of the property of widows and orphans whose business affairs were under their management. The King's action meant widespread ruin and distress. It was an alarming state of affairs. The person of means was suddenly rendered destitute, with no methods of redress. Many people went mad, many died broken-hearted, others committed suicide. There was fierce public indignation, especially after the suspension, which was supposed in the first place to last only for twelve months, was continued for years. £30,000 of Bills of Exchange were sent back dishonoured to Italy. In 1676 Charles consented to go into the matter to the extent of having the accounts of his creditors examined by the Chancellor of the Exchequer, and in the following year, in letters patent, granted a proportional repayment, to continue yearly until the debt and interest on it were paid off. This however was never ratified by Parliament. Payments were made for six years and then ceased with the death of Charles. After numerous efforts the bankers got the subject raised in 1689, and then a long process of litigation was started which was costly and dragged on for years. Finally in 1700 an Act was passed providing for some measure of repayment, but the upshot of the whole affair was that bankers and creditors lost about £3,000,000, a sum including the interest on loan that should have accrued to them.

The country had had a second example of royal robbery. People were now anxiously desirous of some stability and

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security in saving, for though the goldsmiths had acted with solicitude and honesty throughout the crisis, many people began to feel that the goldsmiths were not safe.

Macaulay, in his *History of England*, tells of Sir Dudley North, renowned as a political economist in his day, insisting on preferring the safety of his own home to the safety of the goldsmiths. "He found," Macaulay writes, "he could not go on Change without being followed around the piazza by goldsmiths who, with low bows, begged to have the honour of serving him. He lost his temper when his friends asked where he kept his cash. 'Where should I keep it,' he asked, 'but in my own house?'"

What the country needed very urgently was an established banking system that would be free from the dangers of private banking and important enough to withstand the ravages of Kings, and incidentally one that could afford to provide the Government, should that be necessary, with financial aid on a secure basis; in a word therefore it needed a national bank.



## CHAPTER IV

THE FOUNDING OF THE BANK—ON THIS ROCK I BUILD FOR  
THE AGES





## CHAPTER IV

### THE FOUNDING OF THE BANK—ON THIS ROCK I BUILD FOR THE AGES

THE foregoing chapters have traced the history of banking in England up to the end of the seventeenth century. Trade and commercial development, the inadequate banking systems, the needs of the community at large and of the Government in particular all called for the establishment of a national bank.

King William III had ascended the throne in 1689, after the English had dethroned James II, brother of Charles II. He had come to England from Holland on the invitation of the English nation who were tired of the arbitrary rule of the old line of Stuart Kings and wished to be governed by a constitutional partnership which they hoped William III and Parliament would give them. The nation was not disappointed, but William III probably was, for Parliament, having put him on the English throne, immediately began to exercise a sharp supervision and control that would have chafed the most patient of rulers. William was long-suffering and statesmanlike. One of his chief political and religious aims was to free his beloved Holland from French danger, and he hoped to get both England's wealth and her fleet to help him. He therefore submitted to Parliamentary restrictions and found himself financially in precisely the same position as his unpopular

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predecessors, in effect, of not knowing where to turn for money.

In his home country there had been the Bank of Amsterdam, the fosterer of trade and the helper in times of emergency. Every Dutch merchant of means had a deposit account in the Bank, and its financial position was so secure that it had withstood a number of runs and had pulled the country through many periods of crisis. London merchants had long envied Amsterdam her Bank. To William, Dutch institutions were naturally far more familiar than English ones and he was constantly reminded of them by his Dutch friends and advisers. He needed money desperately, for he was waging war against France and at the same time fighting for his throne in Ireland and Scotland. If only there were an English Bank equivalent to the Dutch Bank, a bank from which he could readily borrow, he could raise most of the money he required. He found that the goldsmiths were not inclined to be friendly, for after their experience with Charles II they had no longer faith in the word of Kings. Moreover, William was a foreigner and a stranger, and as a revolution had put him on the throne a second revolution, they thought, might as easily dethrone him, in which event the money lent him would disappear into thin air.

The idea of a State bank was not, of course, new. There had been a number of suggestions for one since the time of Hagenbuck, the State Papers of the period containing at least four such proposals between the years 1620 and 1666, but so far nothing had come of them.

William, with the aid of his ministers, tried all devices possible for procuring money. His needs were great and imperative. Over a million was required in peace time

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alone for the upkeep of the army and navy, which was supposed to come out of the King's revenue of £1,650,000. The campaigns in different parts of the British Isles were expensive. His war with France was intense and concentrated. Every year William had an army in Holland in the field. There was a constant drainage of money. Additional means of raising money had to be resorted to. Old taxes were enforced and new ones were introduced, including the poll tax, which was a Dutch tax, the stamp tax, the window tax, a pedlar's tax, a coaches' tax, births', marriages' and deaths' taxes and an ingenious bachelor's tax, by which each person was assessed according to his rank, ranging from Dukes at £12 11s. od. per annum to insignificant persons at one shilling per head. But the system of financial administration, a heritage from his predecessor, was corrupt, and the collecting of taxes was so mismanaged that very little of the money raised from the people reached its lawful destination. It is said that William's ministers suggested a tax on the Jews but at the rumour of its imposition the Jews threatened to leave the country and the proposed tax was withdrawn. Owing to the invidious army commissariat and the unscrupulousness of contractors there was degrading poverty in the army, the food and clothing of the soldiers being appalling, though large sums of money were ostensibly devoted to their needs. William's throne was insecure for the political state of affairs was extremely unsettled. Forty years before, the English had beheaded King Charles I; since then, there had been experiments with different forms of government. A Republic which had been set up under Cromwell had been found to be unsatisfactory, and a return had subsequently been made to Monarchy. But this again proved a

failure when it was seen how easily government could be abused in the hands of arbitrary Kings. In a final effort, therefore, to procure constitutional government, the Revolution of 1689 had dethroned King James II and had invited William to come from Holland and assume the Crown of England. The Revolution had been the work mainly of one political party, the Whigs. Their rivals, the Tories, did all they could to embarrass the new King and his Government, and were not above intriguing with the Jacobites, the followers of the dethroned Stuarts. Altogether, William's difficulties were manifold. Moreover, his reserve and shyness, which took the form of aloofness, kept him from winning the affection and popularity of the people. When, therefore, he wanted money, he had almost literally to entreat for it. His ministers would journey to the City and go from goldsmith to goldsmith begging for a loan. In this humiliating way William was able to borrow £100,000 from the City of London, but on such high terms that the loan's value reached scarcely more than two-thirds of the stipulated amount.

Montague, William's financial adviser, tried to encourage people to lend money to the King by fanciful methods. One was called a tontine and its attractive terms brought in, though somewhat slowly, a sum of £880,000 which tided the Government over two years.

In 1694 the political and financial situation was more difficult than ever. More than five million pounds were needed for the year, half of which had to be devoted to the army. Again every conceivable tax was imposed, and large sums of money were indeed raised, but when all had come in two million pounds had still to be found if the Government were to function properly. Montague now

elaborated an ingenious scheme. At the time it was described as a lottery. Handsome prizes amounting to £40,000 per year (a sum to be raised by a new salt tax), were to be divided among fortunate winners out of the subscribers to a Government Loan, which in itself was not to pay a high rate of interest. By means of this, Montague hoped to raise the necessary two million and defray the expenses of prizes and interest on the public loans. The lottery, however, brought in only one million, and again Montague and the King were brought to a standstill; taxes, grants, loans, all devices had proved inadequate. Something new had to be tried. That something was at hand. It was the scheme put forward by the Scotsman, Paterson, to found a bank which would help the Government out of its difficulty by the grant of a substantial loan raised on public subscription.

In twentieth-century eyes the scheme that was to materialise into the world-famous Bank of England is tremendously important, but in the eyes of the people of the time it was but one more device to secure money, a device that might prove as transitory and as inadequate as the lottery scheme or the tontine that had already been tried. A great measure of public faith was required to get the scheme approved and put into operation, and the steps taken at the time are interesting in the light of the subsequent history of the Bank.

The details of the scheme, which are outlined in these pages, naturally involved the paying of interest by the Government on the loan granted to them. To cover this a Bill was introduced into Parliament. The Bill was called the Tonnage Bill and its object, to quote the Parliamentary terminology, was "for granting to their Majesties several

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Rates and Duties upon Tunnages of Ships and Vessels, and upon Beer, Ale, and other Liquors". The proceeds of these duties were to pay the Government's liabilities to a proposed corporation, the plan of which was embodied in clauses of the Bill, the corporation to be called "The Governor and Company of the Bank of England". From these inauspicious beginnings and on this "Beer, Ale and other Liquors" the Bank of England was eventually "floated", but only after some little adventure. In the House of Commons, scarcely any opposition was forthcoming to the Bill. There was only a small attendance of members, so little significance did the Commons attach to the scheme, and as the Government's need for money was desperate, and as so many plans had already been tried the Commons were wearily inclined to agree to any method that might conceivably produce funds. The Bill therefore to found the Bank of England passed nonchalantly through the House of Commons. In the House of Lords, however, a prolonged discussion on the Bill took place lasting from 9 a.m. to 6 p.m. The Lords were prepared to pass the Bill so far as it dealt with tonnage, but uncannily put their finger on the only significant part and tried to delete all the clauses relating to the proposed Bank, on the astute ground that a King with a bank behind him might find himself so strong financially that he would probably be in a position to free himself from Parliamentary control and thus make himself absolute. The clauses were finally saved, not by virtue of any argument in favour of a bank, but because the suggested alterations on the part of the Lords would have raised the bitter contention as to which House of Parliament had control of money bills, and this contention had only recently been

settled in Charles II's reign when the House of Commons had insisted on its sole right in all Parliamentary measures pertaining to finance and had, after a struggle, deprived the Upper House of a privilege it had often previously exercised of amending money bills. On therefore quite extraneous arguments and by dint of fortunate circumstances the measure was passed by a bare majority of twelve, the House of Lords approving the Bill after a clause had been inserted prohibiting the Bank from lending money to the Government without Parliamentary sanction. With the placing of the Tonnage Bill on the statute book, the scheme for the Bank of England or the Tonnage Bank, as it was called for some years, was finally sanctioned.

This was not the first of Paterson's projects. He had submitted his ideas to Montague, the Chancellor of the Exchequer in 1691, and a second scheme had been devised since then. The one adopted in May, 1694, was the third scheme to be submitted and the chances are that it was only adopted because the needs of the Government were so great. As at Venice, Genoa and other places centuries earlier, the National Bank was to be established as a result of political necessity, to give financial aid to a Government that could not otherwise carry on its task of governing.

About a century later this liaison between Government and Bank was pithily described by one purporting to write the autobiography of the Bank—or the Old Lady of Threadneedle Street, as she was then being called. She says: "Having been frequently twitted in the course of my life with what people are pleased to term my illicit intercourse with the government, it may be as well here, once



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for all, to admit that so far am I from being ashamed of this intercourse or considering it illicit, that I frankly avow I was affianced to the government before I was born; in fact, had it not been for the government, had it not been understood that I was to become the accommodating friend of the government, I verily believe, I never *would* have been born."

Put briefly, the aim of the creators of the scheme of 1694 was to raise £1,200,000. This money the public was invited to subscribe by the purchase of shares, but no one was to have more than £10,000 subscribed until after a specified date, and then the final amount was not to exceed £20,000. So far as the subscribers were concerned, the Bank was to pay them interest at the rate of 4% on their money and they were at liberty to withdraw any sum of money standing to their account at any given time. So far as the Government were concerned, the Bank was to lend them the whole £1,200,000 in return for interest at 8% together with £4,000 as payment to it for managing the Government's business, that is to say the Bank was to receive in all from the Government £100,000 each year.

The subscription list for the inauguration of the Bank was opened on the 21st of June, 1694, in the famous Mercers' Chapel, in Cheapside, London. Mercers' Hall was a fitting place for the originating of what was to be such a historic institution. Situated between Old Jewry and Ironmonger Lane, it stood on an historic site, for there centuries before had been the house of Gilbert Becket, citizen, mercer and portreve of London. The famous Archbishop of Canterbury, Thomas à Becket, son of Gilbert, was born there. Later, the building had be-

come a hospital and had passed under the patronage of the Mercers' Company. The Great Fire of 1666 had destroyed it but it had been rebuilt, the doorway being the work of Sir Christopher Wren.

Through the association with the Mercers' Company, the Bank of England, even before it was formally established, sowed its connexions with the great companies of the City of London. It was natural that it should grow up under the shadow of the companies and work in close cooperation with them. The scheme for the Bank was fortunate in that it commended itself straightway to influential merchants. £300,000 was subscribed on the first day alone, an excellent example being set by the Queen, who purchased a £10,000 share. The Government gave substantial aid by defraying the expenses of rebates of £2 10s. 0d% on subscriptions made on the first three days, of £2 and later 5% (per cent) on subsequent subscriptions; £600,000 were subscribed in the first three days and £300,000 on the fourth day. Most of the subscribers were leading London merchants who for many years now had been hoping to see a bank established in order to foster and protect industry and commerce. The Bank was formally incorporated by charter on July 27th of that year, 1694. The opening words of the Charter ran: "William and Mary, by the Grace of God, King and Queen of England, Scotland, France and Ireland, Defenders of the Faith, etc. To all to whom these presents shall come greeting." The first clause specified that "the rates and duties upon tonnage of ships and vessels and upon beer, ale and other liquors, are made security to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war against France". Another

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clause specified: "all and every such subscribers and contributors, their heirs, successors and assignees, to be one body corporate and politic, by the name of The Governor and Company of the Bank of England." The Board of Management was to consist of a governor, a deputy-governor, and twenty-four directors. Thirteen or more directors together with the governor or deputy-governor were to constitute a court of directors for controlling the affairs of the Bank. Regulations were set down with regard to the swearing-in of governors and directors who had to be English or naturalised English subjects (the term "British" was not yet in use, as neither Scotland nor Ireland were then united with England) to be possessors of a specified amount of bank stock, the governor possessing £4,000 at least, the deputy-governor £3,000 and the directors £2,000 each. Arrangements were made in the charter for the transfer of stock, for the paying out of dividends, for the calling every year of four "general courts" as distinct from "directors' courts" and additional courts if necessary, and for the making of bye-laws and ordinances. The Bank was empowered to borrow money, but only to the extent of its capital. If it exceeded this limit each member was individually liable in proportion to his amount of Bank stock. It was forbidden to take part in trading transactions except in so far as it had advanced money on merchandise which had not been redeemed within three months, in which case the Bank could sell the wares. It was authorised to issue notes, though they were not to be regarded as legal tender, and it was given sanction to deal in bills of exchange and in bullion. The charter was granted for twelve years and the Government reserved its right of terminating the charter

ON THIS ROCK I BUILD FOR THE AGES

at the end of that period should it so desire, giving twelve months' notice.\*

One of the original members of the Board of Directors was William Paterson, the genius who originated the



WILLIAM PATERSON  
THE FOUNDER OF THE BANK OF ENGLAND

scheme. He was a brilliant financier and at the same time a curious mixture of idealist and adventurer, politician and economist. Born in Scotland of peasant parentage, he

\*For fuller details see Marston Acres: *The Bank of England from Within*, and Andréade's: *History of the Bank of England*.

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early decided to leave his home country and seek his fortune elsewhere. He was still quite a boy when he came south to England, but being restless and unsettled he travelled from place to place, making a precarious living and gathering a large stock of world experiences. A visit to the West Indies inspired the plan for his Darien Colony. A journey to Amsterdam greatly impressed him, particularly its famous Bank, which he carefully studied, dreaming of the day when Scotland and England should emulate it. At one time he is said to have been a pedlar, at another time a missionary, at yet another a buccaneer. He was assuredly a man of mystery, detached and isolated, and he early earned from his acquaintances the epithet of "the lonely Scot". While still young, he revealed himself as a financial genius. He was not yet thirty when he worked out the details of the Darien Scheme to colonise on the Isthmus of Panama, a scheme which was later found to be brilliant in its scope. Two years later he became immersed in the revolutionary politics of the day, England being busy at the time dethroning King James II and making William III King.

Paterson together with other politicians used to frequent the coffee-houses round and about Change Alley and Lombard Street, a very great portion of business transactions being initiated and conducted there. In one or other of these familiar haunts Paterson would frequently be found consorting with a large group of acquaintances. He became the friend of the leading financiers and merchants of the time, particularly Michael Godfrey, whose reputation in the City was second to none.

With the help of Godfrey and Montague, Paterson's Bank of England scheme was successfully launched. Un-

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fortunately for Paterson, like many other people of genius, he had a temperament that made it difficult for him to work harmoniously with others, being often rash, erratic, super-sensitive and unpractical. He soon found himself in disagreement with his fellow directors, and particularly after Godfrey's death his position on the Bank's Board of Directors became uncongenial. Subsequently he resigned. The remainder of his life was tragic. He threw himself heart and soul into the Darien Scheme, which he had suggested to Scotland. His own enthusiasm fired his fellow Scots, and Scotland in a body prepared to carry the scheme out. As is well known, the scheme proved to be a lamentable failure owing to the force of overwhelmingly hostile circumstances. It is estimated that about half the available capital of Scotland was invested in the scheme, and its collapse was one of the greatest catastrophes Scotland has ever suffered. Paterson had himself gone out to Panama, but after the failure of the scheme he returned to England broken in health and spirit, having lost his wife and all his money in Panama. His opinions nevertheless continued to be respected, particularly as the Bank of England was showing signs of a successful development. Politically, he soon reinstated himself and was instrumental in facilitating the negotiations between England and Scotland on the question of the Act of Union in 1707. After the union had taken place, Paterson was returned to the British House of Commons as representative of a Scottish constituency; but in spite of his activities and his prominence in affairs he passed through years of acute poverty. This was to some degree mitigated near the end of his life by a large sum of money voted to him by Parliament. How great his work had been he

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probably never conceived, and the success which the Bank of England achieved, if he could but have foreseen it, would have cheered his lonely spirit.

Sir Michael Godfrey, referred to above, was the first Deputy-Governor of the Bank, and one of the richest and most respected merchants of the time in the City of London. He combined financial genius and sound practical knowledge with a reputation for strict integrity and a kindly disposition that made him universally popular. His association with the Bank of England ensured that institution an immediate importance and significance in the eyes of the City. What Godfrey supported was necessarily sound and worthy of support and by his able championship and his close co-operation he made the trading world the friend of the Bank from its very foundation. His position as Deputy-Governor had a co-ordinating and conciliatory influence with the controlling body during the first critical years of its life and this was particularly the case with the unhappy Paterson whose business efficiency was not equal to his financial ability. Godfrey was fortunately connected with the Bank from its very inception and when the Bank was attacked, as was inevitable, within the first few months of its existence, Godfrey wrote, in 1695, *A Short History of the Bank of England*, which succeeded in replying to the numerous arguments brought against the establishment of the Bank by its enemies. One effective argument had been that the Bank would attract money that otherwise would be devoted to industry and the fostering of commerce, and this argument Godfrey was able to defeat to the satisfaction of a great many of the merchants.

But Godfrey's association with the Bank was destined

## ON THIS ROCK I BUILD FOR THE AGES

to be short-lived. In July of 1695, Godfrey together with two other Bank Directors, crossed over to Holland to raise sufficient money on the Bank's credit to provide King William with funds for the payment of British troops in Flanders, William then being in the throes of a formidable war with France. While in Flanders, Godfrey decided to pay a visit to the King and went to seek him in the trenches of Namur. The King remonstrated with him for exposing himself, a civilian, to the dangers of warfare. Godfrey jokingly replied that what was danger to him must equally be danger to his monarch and no sooner had the words passed his lips than a cannon ball struck him and he fell dead at the King's feet.

So important in the City was the name of Michael Godfrey that when news of his death reached London, there was serious alarm, and Bank stock fell by 2%. His body was brought back to London and buried in the City Church of St. Swithin's, Cannon Street, the Bank of England closing for the afternoon to pay reverence to its first Deputy-Governor.

The third great name connected with the origins of the Bank was that of Sir John Houblon, the first Governor. He was descended from a Dutch family who had fled the religious persecution in the Netherlands in the time of Elizabeth and had settled down to comparative freedom in London. The first member of the family to find refuge had been a merchant from Lille. His descendants not only carried on the tradition of merchants but gave it so much prestige as to merit for themselves and their transactions unbounded respect and admiration. One, James Houblon, eminent among London merchants, was known as the "father" of the London Exchange and was renowned



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for his piety and for his plainness. He had five sons, all of whom were important merchants, three of them, John, James and Abraham, holding eminent positions in the City.

Pepys, the invaluable commentator of the period, has numerous references to them in his *Diary*, for on some occasions he was flattered by being asked to assist them in their transactions, notably in connexion with business in Tangiers.

Pepys was a frequent visitor at the house of the father, and writes that "he loved him mightily". He finds the sons "gentlemen whom I honour mightily". He meets them—the Hublands, or the Houblons, as he calls them, for a talk at "The Sun behind the Exchange", for dinner at "The Beare", for "an exceedingly pretty supper" at "The Pope's Head", and invariably they are "a set of the finest gentlemen" one could hope to meet, and "Their discourse, having been all abroad, very fine". When the father, James Houblon, died, he had seventy grandchildren who survived him, thirty others having preceded him to the grave.

The epitaph of James, written by Pepys, is quaint enough to quote:

JACOBUS HOUBLON, LONDINAS X PETRI FILIUM, OB  
FIEDM FLANDRIA EXUL ANTIS X EX C NEPOTIBUS  
HABUIT LXX SUPERSTITES X FILIOS V VIDENS MER-  
CATORES FLORENTISSIMOS; IPSE LONDIENSIS BURSÆ  
PATER X PISSIME OBIIT NONAGENARIUS, A.D.  
MDCLXXXII.

Rendered into English this reads: James Houblon, of London, son of Peter who fled from Flanders to preserve

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his religious doctrines. He lived to see seventy survivors out of one hundred grandchildren and seeing five sons prosperous merchants. He himself Father of the London Exchange died full of piety aged 90 A.D. 1682.

John Evelyn, Pepys' contemporary and friend, also has references to the Houblons in his *Diary*. He relates how "I supp'd this night with Mr. Secretary (Pepys was Secretary to the Admiralty) at one, Mr. Houblon's, a Flemish merchant, who had his house furnished '*en Prince*' and gave us a splendid entertainment". John Houblon built a large house in Threadneedle Street and in 1689 became Sheriff and Alderman of the City of London. He was knighted by the King and was made Lord of the Admiralty. When the project of the Bank of England was sanctioned, merchants and courtiers alike urged the appointment of Sir John as first Governor. Though he was over sixty years of age, he was chosen for the post and held it for the rest of his life. In 1695, as an added tribute to his ability he was elected Lord Mayor of London. With prudence and sagacity he steered the Bank through its first few critical years. The eventual success of the Bank must be largely due to the confidence he inspired in both City and political circles, and to his capability and wisdom of administration at a time when a false step would have ruined a new institution that had numerous enemies and needed unqualified success to justify its existence. He died in 1711 at the ripe age of eighty, his lifeless body being found one morning in his room in the attitude of prayer. He was buried in the City Church of St. Christopher and his portrait is preserved, together with other historic portraits, in the Bank of England.

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An interesting link with John Houblon and the present time is the Houblon Tankard, which has a remarkable history. It is a silver tankard inscribed with the words: "The gift of the Directors of the Bank of England to Sir John Houblon, Governor, Lord Mayor of London, in token of his great ability, industry and uprightness at a time of extreme difficulty, 1696." The tankard was handed down to his descendants (he had no sons) and then mysteriously disappeared for generations. During the last century it was found in London by an American silversmith who took it with him to New York and there offered it for sale. Because of its early associations it was purchased by the Loan Committee of the New York Clearing House, who presented it in their turn to their own Chairman in appreciation of his services, having another inscription, with similar wording as the original except for names and date put on it. On his death the tankard was returned to the New York Clearing House, and subsequently in 1924, through the kindness of Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, it was sent back to the Bank of England. The Bank, in recognition of this gracious act, sent a replica tankard suitably inscribed to the New York Clearing House Associations.

In his work at the Bank Sir John Houblon had had the help of his two brothers, James and Abraham, and a brother-in-law, John Lordell. All three were on the original Board of Directors of the Bank. James had been knighted and made Alderman of the City of London and in 1698 became the Member of Parliament for the City.

As to Abraham Houblon, he was a Director of the Bank from 1694 until 1707, later he became Deputy,

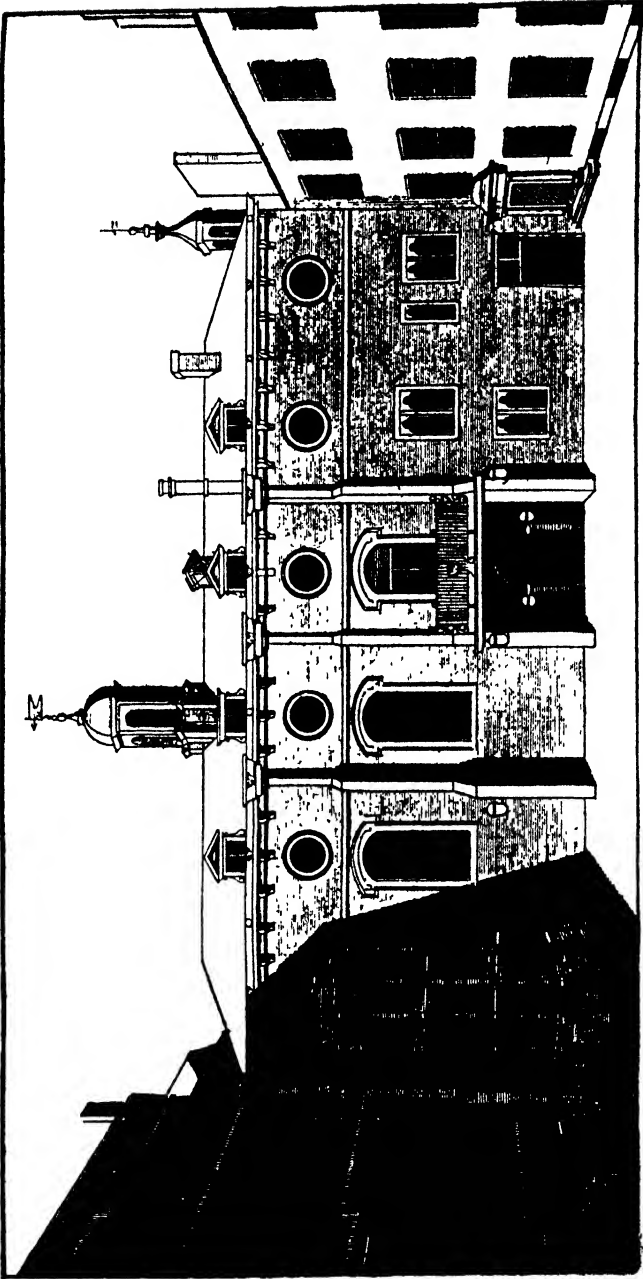
## ON THIS ROCK I BUILD FOR THE AGES

Governor for two years and then Governor for a further two years while his son Richard was one of the Directors from 1713 till 1719.

Owing to the Houblon connexion and because of their financial and commercial ability, many of the first Directors of the Bank of England were originally Flemish merchants or descendants of Flemings.

The Bank had in addition to its able administrators within the institution the loyal support and backing of Montague, who brought to it not only the co-operation of the Government but the unwavering patronage and friendliness of King William III, two factors that were essential to its welfare and contributed in no small degree to its ultimate success.

With regard to the people as a whole, apart from shareholders and "business men", the establishment of the Bank of England was scarcely noticed, Evelyn for example having but a casual reference to it in his *Diary*. The entry for the day 24th April, 1694, first mentions a number of rare plants to be seen at Brompton Park, then goes on to say: "A publick Bank of £140,000 set up by Act of Parliament among other Acts and Lotteries, for money to carry on the war.—The whole month of April without rain." Later, under the entry for July 1st, he says: "The first greate Bank for a fund of money being now establish'd by Act of Parliament was fill'd and compleated to the sum of £120,000 and put under the government of the most able and wealthy citizens of London. All who adventur'd any sum had 4 per cent, so long as it lay in the Bank, and had power either to take it out at pleasure, or transfer it.—Glorious steady weather, corn and all fruits in extraordinary plenty generally." In Evelyn's eyes undoubt-



*The South View of Grocers' Hall.*

edly the Bank of England and the English weather were of equal importance, but in the eyes of the City merchants of the time one of the most revolutionary and far-reaching steps had been taken.

Within a year, because of the personnel of those connected with the Bank, combined with government and royal backing, and the support of influential merchants of first class standing, the organisation was so capable and the Bank's prestige already so high that the death of Godfrey and the resignation of Paterson in no way impaired its progress.

The Bank after its first three months at the Mercers' Hall moved to the Grocers' Hall seen in the illustration opposite.

The Grocers' Hall which had been founded in the early part of the fifteenth century, was burnt down when London was ravaged in the Great Fire of 1666. After considerable effort in raising funds the Hall was restored, but the Company found itself in financial difficulties over the building and the upkeep. To ease matters it was decided to lease out the Hall to worthy clients, and one of these was the newly established corporation known as the "Governor and Company of the Bank of England". An agreement was subsequently entered into in October, 1694, and the actual wording ran as follows:

"That it is this day agreed and concluded, between the Wardens and Commonalty of the Mystery of the Grocery of the City of London and the Governor and Company of the Bank of England, that the said Wardens and Commonalty shall demise Grocers Hall, yard, and garden, as usually let to the Lord Mayor, to the said

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Governor and Company for the term of 11 years from the five and twentieth day of December next ensuing, the agreement reserving to the Company the Clerk's and beadle's houses, with free ingress, egress and regress at all seasonable times, to and from the said Clerk's house and reserving also to the said Wardens and Commonalty all the present lights looking into the said yard and garden. That the said Governor and Company of the Bank of England shall advance and pay to the said Company the sum of five hundred pounds for a fine for the said term as also the further sum of five thousand pounds more, to discharge a debt of four thousand five hundred pounds and interest on mortgage of the said Company's Hall and lands.

That the said Governor and Company of the said Bank covenant to pay all taxes, parish duties, river water and repairs during the said term and leave the Hall, garden, etc., in the same condition they now are, at the expiration of the said term, and further shall mutually do as counsel shall advise. That the said Governor and Company of the said Bank advance and pay the said several sums of five hundred pounds and five thousand pounds on the said Wardens and Commonalty's assignment of the said mortgages, to the said Governor and Company at any time after the first day of November next and that the said Wardens and Commonalty, or their successors, shall only repay the said principal sum of five thousand pounds at the expiration of the said term of eleven years.

That the said Governor and Company shall deliver to the said Wardens and Commonalty all such goods and utensils as shall be scheduled or mentioned in the

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said demise, that the said Governor and Company shall have possession of the said Hall and garden the first day of November next, that the said Wardens and Commonalty shall have the usual room in the said Hall to put their trophies in on public occasions. Witness our hands the 4 day of October 1694.

JOHN SHERWOOD.  
RBT. DAWSON, SEN.  
DANIEL D'ORVILLE.  
THOMAS TUCKFIELD.  
SAML. BREWSTER.  
PHILIP SCARTH.  
JOHN OWEN.  
MICHAEL GODFREY.  
WM. GORE.  
WM. SCAWEN.  
GILBERT HEATHCOTE."

Among the terms of special interest in the agreement are the references to the name of Michael Godfrey, and to the period of eleven years. Michael Godfrey, Grocer, is Michael Godfrey, Deputy-Governor of the Bank. The eleven years were later extended to forty during the whole period of which the Bank had its quarters in Grocers' Hall.

Certain elements emerge from the form of the founding of the Bank that need noting. The Bank, though called by the misleading name of the Bank of England, was not a Government bank. It was first and foremost the affair of a corporation of merchants and financiers, though it arose largely because of the needs of the Government and succeeded largely because of the support of the Govern-



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ment. There was a mutual arrangement of help and benefit that has continued and become stronger throughout the centuries. As will be seen later, there were times when the Bank's position was so endangered that only the Government's backing helped it through, and in similar fashion the Government would have been in acute distress but for the Bank's financial aid.

So far as the political side was concerned the Bank of England of 1694 was Whig. It was the Whig party that had invited William to become King, and it was in their interests to support an institution that would strengthen the King's position. There was also another aspect of the case. A year previously the National Debt had been started. Those people who had lent money to the Government or who had invested money in the Bank were anxious to see that no new revolution overthrew the constitution and confiscated their savings. Their support therefore of both William and the Bank would be the stronger by virtue of the financial considerations involved.

Macaulay says that the general public, when it realised the significance of the Bank's work, were content and gratified. "The advantages of the modern system," he writes, "were felt every day in every part of London; and the people were no more disposed to relinquish those advantages for fear of calamities which occurred at long intervals than to refrain from building houses for fear of fires or from building ships for fear of hurricanes."

This state of mind was reached in spite of calculated opposition brought to bear by sections of the community. These were chiefly found among the Jacobites, who were the enemies of the Revolution Settlement of 1689, the Tories who opposed every important Whig measure on

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principle and the goldsmiths who felt that their long-enjoyed monopoly of banking would be threatened. These three sections did all they could to work on the credulity and the ignorance of the masses, to shake the confidence of investors and to create panic wherever possible. One startling and weighty argument was evinced against the new institution, that the Bank would work hand in glove with the King, become the mere instrument of an absolute monarch and render Parliament unnecessary and useless. This was more than mere talk in the latter part of the seventeenth century, for the country had passed through two generations of a duel between monarch and people fought to a large extent on the question of financial control. When William III was made King, the Act of Rights had been drawn up limiting the powers of the King and in order to compel him to call Parliament annually it had specifically stated that grants would be allowed by Parliament for one year only. A good constitutionalist might justifiably feel therefore that the Bank might in effect circumvent the Parliamentary financial control over the King and might therefore regard the new institution apprehensively. Parliament, as has been shown, had inserted a qualifying clause on this subject in the Bill, and future Parliaments watched with no little jealousy this relationship between the King and the Bank of England.

The immediate results of the founding were to give William the funds he needed and enable him to carry on the war successfully. Paterson, with no little justification for pride, was able to write: "The creation of this famous Bank not only relieved the Ministerial managers from their frequent processions into the City for borrow-

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ing money on the best and nearest public securities, at 10 or 12% per annum, but likewise gave life and currency to double or treble the value of its capital in other branches of the public credit, and so, under God, became the principal means of the success of the campaign in 1695; as particularly in reducing the important fortress of Namur, the first material step towards the peace concluded in 1697."

CHAPTER V  
MILESTONES IN THE BANK'S HISTORY  
1694-1780



## CHAPTER V

### MILESTONES IN THE BANK'S HISTORY 1694, 1780

THE population of England and Wales in 1688 was only five and a half millions and both Holland and Italy were ahead of England in trade, in banking and in the money-market generally. When the Bank was established it was in an atmosphere of uncertainty, financial, constitutional and economic and its enemies were ready to seize on any pretext to overthrow the "Puritan usurers of Grocers' Hall" as they were rather piquantly called.

The early years were years of great strain and chequered history and upon their success depended the whole destiny of the Bank. The people who imagined that the Bank would become a prosperous institution to survive a decade, were in the minority. For the first year things went smoothly, then a variety of difficulties beset the Bank and almost swamped it. To start with the state of the country's coinage was deplorable. There were coins still in existence dating from the Middle Ages. There were debased coins of the time of Henry VIII and Edward VI. There was scarcely a silver coin that had not been clipped. Counterfeit coins made of copper and iron and silvered over were also clipped in order to make them look like genuine debased silver. Comparatively recently King James II had himself contributed towards the general debasement by turning gun-metal into coins.

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The greatest conceivable variety in the value of coins ranged throughout the country and the amusing story is often told of the merchant journeying from Lancashire to London, who found that his money changed in value the nearer he got to his destination, gaining 50% when he arrived in London. By 1694, the year when William's financial problems had come to a head, the degraded state of the coinage had practically brought trade to a standstill. The Government found itself in a position where it had to take definite steps. An Act was passed in 1695, imposing the heaviest penalties on falsifiers and clippers and offering attractive rewards to informers. Apprentices, for example, who could prove their masters guilty of misdemeanour under the Act would be rewarded by being granted the Freedom of the City, and thus be raised in status above that of their own employers! The next year a far-reaching Act ordered a new coinage for the country. Unfortunately so far as the Bank was concerned the recoinage affected it adversely, for the time being, for there came an awkward period when the old coins had all been called in and Sir Isaac Newton, the famous scientist who was then Master of the Mint, had not the new coins ready. It was quite three years before the recoinage was completed. The Bank also suffered considerable loss for it had taken the old coins at their nominal value when many shillings had not above threepence worth in silver.

The country during this period seemed to burst into an unnatural spell of lively speculation which was coupled at the same time with a great deal of corruption. Trading companies run on modern lines had been started some years previously, many of which dealt exclusively with overseas trade. These now went through a period of

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violent fluctuation. The Hudson's Bay Company Stock fell in three years from £250 to £80. The East India Company Stock fluctuated in seven years from £146 to £37 and then £142. Bank of England Stock in 1694 rose from par to £105, and after a series of fluctuations reached £108 in January 1696. The spirit of speculation quite new to England spread among the people with the rapidity of an epidemic. They were naïve and credulous and laid themselves open to be abused by adventurers, whole crops of whom seemed to spring up over night.

Daily there were stories of corruption among even the highest in the land; the notable case being that of a Speaker of the House of Commons, who was expelled by his fellow members. So simple and curious was the mentality of the time that the people were ready to condone what were really heinous offences. There is the case of a banker, Duncombe by name, who wormed his way into politics, entered Parliament, became Secretary of the Treasury, appropriated the funds as extensively as he could, was expelled the House of Commons, and then some years later was chosen Lord Mayor of London. Part of his financial activities included an arrangement made with one of the Ministers of the Crown to cripple the Bank of England by suddenly selling off all the Bank stock they both held of which Duncombe alone possessed £80,000. Apparently his iniquity was duly appreciated by some, for Evelyn has scathing references to him in his *Diary*.

In the early part of 1696 the Bank had its most serious obstacle to overcome in the nature of a rival bank called the Land Bank. From the fact that the Government gave its patronage to this new Bank and Parliament approved its establishment, one can infer how little real significance



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was being attached to the Bank of England. Competition from the new Bank made matters go badly with the Bank of England and there was a fall of Bank stock within a few days from 107 to 83. Such a fall within three years of its birth was a matter of serious anxiety. The supporters of the Land Bank, rejoicing prematurely in its triumph, drew up the last will and testament and the epitaph of the Bank of England, the latter running sadly:

*Here lies*

THE BODY OF

THE BANK OF ENGLAND

*who was born in the year 1694 and died on May 5th, 1696,  
in the third year of its age.*

There is no need to quote the last will and testament which was scurrilous without being even witty.

These trials, at a time when it was known that the Bank was short of money and the new coins that had been promised by the Mint had not been delivered, combined to bring about, on May 4th, 1696, the first run on the Bank, a run that was organised and stimulated by the goldsmiths. Panic set in, the Bank had to make a partial suspension of payments, and if it had not been for the personal assurance of good faith by Sir John Houblon (he offered one-tenth to the claimants and the rest as soon as the new coins were ready), and the wise and speedy measures of the Directors, the Bank might have crashed thus early in its career, and the whole future of the country would have been altered. As things turned out not only was the crisis overcome, but the Bank was enabled to enjoy the total collapse of the Land Bank which took place in June. It was for his prompt and courageous action

## MILESTONES IN THE BANK'S HISTORY

at this time of anxiety that Sir John was presented with the Houblon Tankard referred to in Chapter IV.

The Government had dealt badly by the Bank. It had given support to a formidable rival. Now it found itself in an embarrassed condition owing to the collapse of the Land Bank and it had to take the humiliating step of approaching the Bank of England for substantial aid. But it took it with a gesture. The Bank of England was called upon to lend the Government an additional £340,000 and the King £200,000. The Bank now found itself awkwardly placed. All its available money was already lent to the Government but the Bank, depending on Government patronage, could not dare to refuse the extra loan, and was therefore forced to borrow £100,000 from the Bank of Amsterdam, and to forego its dividends to its shareholders. This was the Bank's first great crisis; but it managed to pull through it. The Government now became conciliatory and the renewal of the Bank's charter by Parliament in 1697 was the first of a long series of renewals and of Parliamentary agreements.

When William III died in 1702 the Bank lost its greatest patron, but its position was not impaired. In the next reign, that of Anne, the Jacobites became stronger and more formidable. The rumour of a Jacobite invasion in 1707 spread dismay, particularly when their friends in London organised a run on the Bank, but the Bank's supporters, who included the Dukes of Marlborough, Newcastle and Somerset, rallied to it. The War of the Spanish Succession was being fought at the time, and Marlborough, the English General, wanted all the financial backing he could possibly get. If the Bank fell, this backing would not be forthcoming and the war would

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be over. It can be seen that by this time the Government was beginning to appreciate the Bank's importance and potentialities, and when riots broke out in 1709 as a result of the trial of the preacher Sacheverell, the Queen sent her own horse and foot to protect the Bank which was being threatened by the mob. The Bank's position in the State was gradually coming to be realised and its weight beginning to be felt in politics.

The following year, 1710, there was a political crisis and the Queen found it necessary to dismiss one of her most important ministers. Dismissals of ministers and changes of government might then be very dangerous, for the Jacobites had their spies everywhere, and their intrigues were subtly woven. The Bank of England was alarmed at the Queen's action, for a weak ministry might open the door to the Jacobites, and a Jacobite on the throne would cause disaster to the Bank. The Bank thereupon remonstrated with the Queen and the Queen hastened to send the Governor an assurance that she would make no more changes in her ministry. At the end of her reign more crises arose because of Jacobite plots and the uncertainty of the succession; each crisis and every whisper of uncertainty affected the Bank and the state of Bank stock. When, however, the Hanoverian Elector, George, in 1714, quietly ascended and remained on the throne as King George I, in accordance with the constitutional aims of the Whigs, the country settled down quickly and the Bank of England was able to enjoy a short period of stability.

But the calm was very transient for in 1720 there was a general upheaval. The years immediately preceding had been years of prosperity and enterprise. The Treaty of

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Utrecht which had ended the War of the Spanish Succession in 1713 had opened up new possibilities in the trade with America and the West Indies. The trading companies, particularly the South Sea Company, which had the monopoly of trade in the South Seas, stood to gain exceedingly by the impetus given to overseas trade. It had become phenomenally wealthy, and its shares were the most sought after on the market. In 1720 it devised a scheme whereby it would take over the whole of the National Debt by consolidating the various floating debts and outstanding annuities into one fund and in return be granted interest at 5% for seven years, then interest at 4%. For the privilege of administering the debt, the company offered to pay the Government the large sum of 3½ millions. For the last few years the administration of the whole of the State debt had been largely distributed among such companies as the Bank of England, the South Sea Company and the East India Company. This offer of the South Sea Company filled the Bank of England with apprehension. In its turn it laid counter proposals before the Government. The Company increased its offer, the Bank tried to outbid it by suggestions which if accepted, would have caused its ruin. For the time being the South Sea Company was successful, and the Bank had to look on forlornly at what seemed to be a thrice blessed rival. The shares of the South Sea Company bounded up. In 1719 they were £126. At the beginning of 1720 they were £310, then £500, £890 by June 2nd, and the tremendous figure of £2,000 by the end of that month. There had been nothing like it in the financial world before. Everybody who could, rushed to buy. Those who would, sold at unheard of figures and made fortunes on the spot.

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Change Alley, which twists and turns into Lombard Street, became the scene for would-be investors of every rank in life. The vogue of the day became "à la South Sea"; South Sea carriages, South Sea coats, South Sea jewellery and South Sea servants. Encouraged by this success, other companies were formed, to make the most of the speculation fever that was spreading like wild fire throughout the community. Some of these companies were genuine, others, feeding on the amazing credulity and childlike simplicity of the masses, were bogus companies, with objects such as making butter from beech-trees, importing jackasses, fattening hogs, perpetuating motion, and one whose object was to be shrouded in mystery, unrevealed, until all the capital required had been subscribed. People, with an unparalleled madness, rushed to subscribe. Those with pennies and those with fortunes surged into Change Alley, and every available farthing was thrown into speculation. The jingle of the time, the "Merry South Sea Ballad", ran:

*"In London stands a famous pile  
And near that pile an Alley  
Where merry crowds for riches toil,  
And wisdom stoops to Folly.*

*Here stars and garters do appear,  
Among our lords the rabble;  
To buy and sell, to see and hear,  
The Jews and Gentiles squabble.  
Our greatest ladies hither come  
And ply in chariots daily;  
Of pawn their jewels for a sum  
To venture in the Alley."*

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One company promoter promised every subscriber of £2 an annuity of £100. He received £2,000 in five hours and disappeared. But what the investors lost in one way they tried to make up in another. The story is too well known to be lingered over in detail. The genuine companies became indignant at the bogus companies and started proceedings against them. The public became alarmed when the true nature of these companies was revealed; there was a concentrated rush for their money, the promoters of the bogus companies fled, panic set in, and all companies, including genuine ones, were now mistrusted. Shares dropped precipitously, those of the South Sea Company from £2,000 to £130, people losing thousands in as many seconds. There was universal consternation and ruin. It was one of those dramatic occasions affording ample material later for artists and rhymers. Dean Swift, the satirist, writing of that "Narrow sound, but deep as hell, Change Alley", adds:

*"Meantime secure on Garr'way Cliffs,  
A savage race by Shipwrecks fed,  
Lie waiting for the foundered skiffs,  
And strip the bodies of the dead."*

The Government was forced to take the matter in hand, but unfortunately members of the Government themselves were incriminated, having made fortunes and benefited generally by the crash. One minister, Aislabie the Chancellor of the Exchequer, was imprisoned and his property confiscated, another had a fit of apoplexy, whilst another, the Secretary of State, died suddenly, probably by suicide. Walpole, the great Whig financier,

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and the only person whom the public could trust, was urgently called upon to settle the financial complications. He turned to the Bank of England, but for the moment the Bank was busy dealing with its own "run", the result of the general panic. When this was over it purchased £4,200,000 of South Sea annuities instead of nine millions, as Walpole had suggested. For its part it came through the storm comparatively unharmed when all around had crashed. It had shown its solidity and reliability over its rival, and had re-established itself in the eyes of the Government and of the public as the one institution that could withstand a storm and see the country through a crisis. From this point of view, if for no other, the South Sea Bubble was of great historical significance in the history of the Bank.

In 1722, a Jacobite invasion aroused alarm. A camp was pitched in Hyde Park and the Bank of England suffered another of its "runs" as a result of the panic.

The Bank, when this was over, settled down to a period of comparative calm and prosperity. Under Walpole's administration, lasting twenty years, the country's trade and commerce developed enormously. It was a welcome period of steady progress and cessation from war, and as the country benefited generally, the Bank of England prospered in particular, the one always being an index of the other. Crises were, however, to come, and the next one arrived in 1745 on the occasion of the famous Jacobite Rising. The Young Pretender, the famous Bonnie Prince Charlie, with a charming personality and colossal good luck, had managed to get Scotland behind him and had penetrated so far into England as to reach Derby without any appreciable opposition. By this time

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the Rising was assuming dangerous proportions and the money market becoming apprehensive, funds dropped to 49. Rumour spread wildly that Bonnie Prince Charlie was marching on London and appearances seemed to lend realism to the picture of the reinstatement of the old Stuart line. Intense alarm and consternation prevailed. It was a Friday when the news broke. Shops were promptly shut, businesses suspended, people prepared to flee, and even the King, it is said, had a barge with all his valuables in readiness should he have been compelled to leave London. The day was rightly called "Black Friday".

Again there was a wild run on the Bank, far more alarming than the previous runs had been. The Directors of the Bank were wholly unprepared. To gain time, the cashiers paid out in sixpences and tried the device that had been practised in earlier runs, of having friends demanding money, who on being paid, would proceed to the back doors of the Bank and return the money to Bank officials. An urgent meeting of the leading merchants and other influential City men was called at Garraway's Coffee-House and there a momentous resolution was drawn up which ran as follows:

"We, the undersigned merchants and others, being sensible how necessary the preservation of public credit is at this time, do hereby declare that we will not refuse to receive bank-notes in payment of any sum of money to be paid to us; and we will use our utmost endeavours to make our payments in the same manner. 26 September, 1745."

Before four o'clock that afternoon the resolution was signed by more than eleven thousand traders and business men. It was an unqualified vote of confidence in the Bank of England on the part of the City, and coming as it



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did, just fifty years after the establishment of the Bank, it is the highest possible testimony to the Bank's usefulness and importance and the faith reposed in it. The Bank not only succeeded in weathering the storm but it also helped the Government to pull through, by lending it a million at 4% to suppress the rebellion and to carry on the war that was being waged with the Pretender's patron, the King of France.

The Bank of England had by this time moved into premises of its own, for it was felt that its growing prosperity demanded larger accommodation than that which the loan of the Grocers' Hall could provide. It was therefore agreed by a Court of the Proprietors in 1732 to set up a building of their own. For the site, they acquired that of the house in Threadneedle Street which had belonged to Sir John Houblon, the first Governor of the Bank of England.

In June, 1734, the Bank of England left Grocers' Hall and occupied what there was ready of its new premises. Adjacent to the Bank was the historic Church of St. Christopher-le-Stocks which had been founded on the bank of the Wall Brook when it was an open stream, and the Church with its charming churchyard formed a pleasant adjunct to the Bank.

In 1780 there occurred an event fraught with the greatest danger to the Bank, and the Bank's new home. On June 2nd, the Gordon Riots had broken out in London. Lord George Gordon, a half-demented fanatic, and leader of the Protestant Association, thought fit to stir up a bigoted and uneducated mob against the Catholic Relief Act in 1780 and headed this wild assembly through the town, burning and pillaging. They set

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fire to Saville House, the home of Lord Mansfield, destroyed chapels and churches, and then rushed the prisons, freed the prisoners and set alight the prisons of Bridewell, Newgate, and the Fleet. The sober inhabitants of London were horrified and helpless. It soon became a familiar sight in that week of madness to see fires raging in different parts of London, for no sooner had one place blazed successfully, than the mob set to work on another. Thirty-six fires could be counted in one night. Peers and bishops were attacked in the streets and no law-abiding citizen was safe. Then one rioter had what was considered a "brain-wave". He thought of the Bank of England. Fires were burning away brightly in London—why not then attack the Bank? His companions seized on the idea with glee, and with the utmost joy they swarmed towards the Bank. Bank authorities fortunately got news of the mob's intentions. The Governor was summoned and frantic preparations were made for the defence. A military guard was stationed outside the walls, a force inside and the staff itself manned the roof. A volunteer corps of Londoners gave them assistance. Everything possible, including old inkstands, were cast into bullets. The defenders were only just in time. The mob came surging up, intending to pillage and to set fire to the building. They were wholly unprepared to find the place so fully defended. Overawed, they fortunately hesitated and then made but a feeble attack which was rigorously repulsed by Colonel Holroyd and Lord Sheffield. A second attempt was made but this also proved unsuccessful. Serious fighting took place. A great many of the rioters were killed and as one writer puts it: "carnage was cruel around the walls" of the Bank. It is said however that both sides were too

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ashamed to reveal their losses so no real estimate of numbers slain could be got, but for some hours the insurgents were seen dragging bodies of dead and dying (and perhaps others) to the river, for a watery burial.

In the morning, after the second attempt, Londoners living in houses adjoining the Bank of England set to work patching up their homes with plaster where the bullets had dented the walls, and white-washing the reddened patches. The rioters had been repulsed from the Bank, but many were still at large in London. On June 8th, a large force composed of Horse and Foot Guards, the militia from several counties and a great many volunteers, were able to put an end to the riots. Lord George Gordon was imprisoned, but ultimately became converted to Judaism and died in 1793.

The riots over, Bank authorities and the public realised that something had to be done to protect the building of the Bank of England. Until that date, what protection had existed had been the inadequate defence afforded by a few private individuals, leaving the building exposed to a very real danger when serious trouble arose. It was now arranged that henceforward there should always be a detachment of Foot Guards to protect the Bank at night, and every night since 1760 a picquet from one of the Guards regiments has marched to the Bank of England. The picquet consists of one officer, one sergeant and twenty-four guardsmen, and is found by the Battalion providing the Public Duties on that day. There have been occasions, as during the Great War, manœuvres and important public ceremonies, when the Bank picquet has been found by Battalions of Infantry. The officer in

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charge may have two friends to dine with him at the Bank. On no account, however, may he invite a third, as this might lead to a game of cards which would be considered very improper for a Guardsman on duty.

During the war when people were engaged on night-work at the Bank, it was a common experience for people who were walking along a gloomy, secluded passage to be suddenly startled to a standstill by the nearby crash of a heavy boot on stones, followed by silence, whilst a grim figure regarded them from the shadows. It was a sentry of the Guards making his official challenge in the Old Lady of Threadneedle Street's own peculiar manner; just a stamp of the foot and silence; it is for the person challenged to explain himself. The arrival of the picquet is now one of the picturesque sights to the curious Londoner. But there was a time during the first few years after their inauguration when they were far from popular, for in their march to the City, they adopted a very aggressive attitude and often jostled people who were not nimble in making way for them in the narrow streets. Their attitude can well be gauged from James Gillray's famous cartoon of the Bank picquet, published in 1787, which shows the soldiers pushing wares and stalls aside, and even trampling people underfoot. The following note in the *Reading Mercury*, September 6th, 1790, throws further light on the insulting and overbearing conduct of the picquet:

“Tuesday evening, the Lord Mayor went to hinder the Bank Guards from walking in their usual manner, two abreast, to the very great inconvenience of other passengers. His lordship met them at Ludgate Hill, but on making his remonstrance, was shoved off the footway

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by the Commanding Officer without any further ceremony."

The Lord Mayor succeeded, however, in dealing with the matter finally, and the Guards were given strict orders to march in single file and so avoid obstructing the public.

CHAPTER VI  
OVER PERILOUS SEAS; PHENOMENAL RUNS



## CHAPTER VI

### OVER PERILOUS SEAS; PHENOMENAL RUNS

AT the end of the eighteenth century, the Bank of England provided its own sensation by suspending cash payments in 1797. This momentous action was the outcome of the French Revolution and the special set of circumstances that were created by it.

The French Revolution had broken out in 1789 and England and France had been waging war against one another since 1793. The war was on an extensive scale, enormous supplies were needed, and since the outbreak of hostilities there had been a steady drainage of specie from the Bank. Trade was being hampered and for a succession of years the harvests in England had been very bad. The money market had become violently disturbed even before the outbreak of war and in November, 1792, there had been no fewer than a hundred and five bankruptcies. The Government's demands on the Bank increased rather than diminished. The year 1797 opened badly, the political situation was extremely unsettled and there was real danger of invasion from France. Panic set in and with it subsequent financial fluctuations and crises. Of the four hundred banks then in existence, three hundred were severely shaken, a hundred collapsing entirely. Among these were some well known houses with years of banking stability behind them. As always in such times of crisis



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there was a run on the Bank of England, crowds besieging the counters to have their notes cashed, and an order had to be issued that cash would only be paid for sums under 20s. To make up for the shortage of coin an unusual procedure was followed, Spanish dollars which had been captured from the enemy (Spain having joined forces with France) being put into circulation. These were valued first at 4s. 6d., then at 4s. 9d., and in order to make them appear British, a small head of the reigning monarch, George III, was stamped over that of the Spanish King Ferdinand.\*

France had in the meantime thought of a plan whereby she hoped to ruin the Bank of England and thereby cripple England to such an extent that she would have to retire from the war. A week's run on the Bank was organised by furnishing the French secret agents with drafts on the Bank. This attempt proving a failure a second "run" was engineered by the presentation of a large number of notes, among them numerous faked ones which were such skilful imitations of the genuine notes that the utmost care was needed to detect the fraud. This "run" too, the Bank of England was able to withstand. It was not taken wholly unawares for the British Government had been practising similar methods itself, having manufactured a quantity of French notes called "assignats" (on paper specially prepared at mills in Durham) and getting these circulated in France with the object of undermining French finance.

It is interesting to note in passing that even in the eyes of the foreigner, the Bank of England, which was but a

\*This measure called forth from the ribald wits of the time the following:  
*"The Bank to make their Spanish dollars current pass  
Stamped the head of a fool on the head of an ass."*

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century old, was regarded as the bulwark of the State and that the ruin of the one might mean the disintegration of the other.

French methods and the French war did not succeed in crushing the Bank, but as a result of the continued overwhelming demands for money made by the Prime Minister, William Pitt (the Younger), and the consequent drainage of gold in spite of all remonstrances against it, the Bank found itself in a very serious position in the early months of 1797 and decided to suspend cash payments.

Such an action naturally resulted in a great deal of apprehension. Paper notes were mistrusted and for a time there was panic and alarm in the country. This was unduly augmented by the Government's opponents in and out of Parliament, who thought Pitt's Bank Restriction Act legalising the suspension of cash payments, unjustified.\*

The fears of the community were allayed by the committee of inquiry set up by the Prime Minister, which found the financial position of the Bank of England wholly satisfactory, and Pitt's enemies were finally answered when England and her Bank were able to emerge victoriously from a contest with France which shook every other European country to its very foundations.

A wag of the time summed up Pitt's action with the following jingle:

*"Of Augustus and Rome  
The Poets still warble,  
How he found it of brick  
And left it of marble."*

\*It is interesting to compare the opinion at that time with the opinion in the country in 1931 when Great Britain went off the Gold Standard. For further details see Chapter X.

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*So of Pitt and England  
Men say without vapour  
That he found it of gold  
And left it of paper."*

So much for the wags. But history was fully able to endorse the noble epitaph written of Pitt, and he has gone down to fame as "the Pilot who weathered the storm"; the statesman under whose guidance "England saved herself by her efforts and Europe by her example".

The war with France continued until 1815, and cash payments were not resumed until authorised by the Act of Parliament of 1819.

In the meantime the Industrial Revolution was taking place in England. Almost imperceptibly, while the countries of Europe were fighting for their lives the most radical metamorphosis in the economic history of England was being brought about. Over a period of two generations, England from being an agricultural country was changed into an industrial manufacturing country, with an unrivalled commercial ascendancy. The change, beneficial from the point of view of wealth, brought with it serious abuses of the working classes, and the great problem of the relationship between Capital and Labour had its origin in the new grouping of the industrial community into employers and employed. Intertwined in the history of the twentieth century, and therefore in the history of the Bank of England, are these predominating factors, the wealth of the country, the commercial development, and the grievances of the working classes, or as Carlyle puts it: "The Condition of the People" question.

## OVER PERILOUS SEAS; PHENOMENAL RUNS

The year 1825 was a year of sudden and acute crisis. It followed on the heels of comparative prosperity. There had been a recrudescence of speculative mania, particularly in connexion with gold minings. Emboldened by the success of such companies as the Real del Monte, whose shares, issued at £70 rose to the amazing figure of £1,350, scores of other companies were floated. The opportunity was seized upon by adventurers of whom there were always a great many. One, Crauford, accumulated £50,000 in two years. Another, "Jew" King, pushed himself and his friends into the midst of the financial world, and by sheer unscrupulousness and exceptional ability began to swamp the money market. They set up their own banks, issued their own notes, and spent money left and right, buying up people, concerns, secrets, everything. But inevitably the time came when people became alarmed, reaction set in, and precipitous falls followed. One firm, Pole, Thornton & Co., collapsed, dragging forty to fifty banks with them. Numbers of other houses crashed.

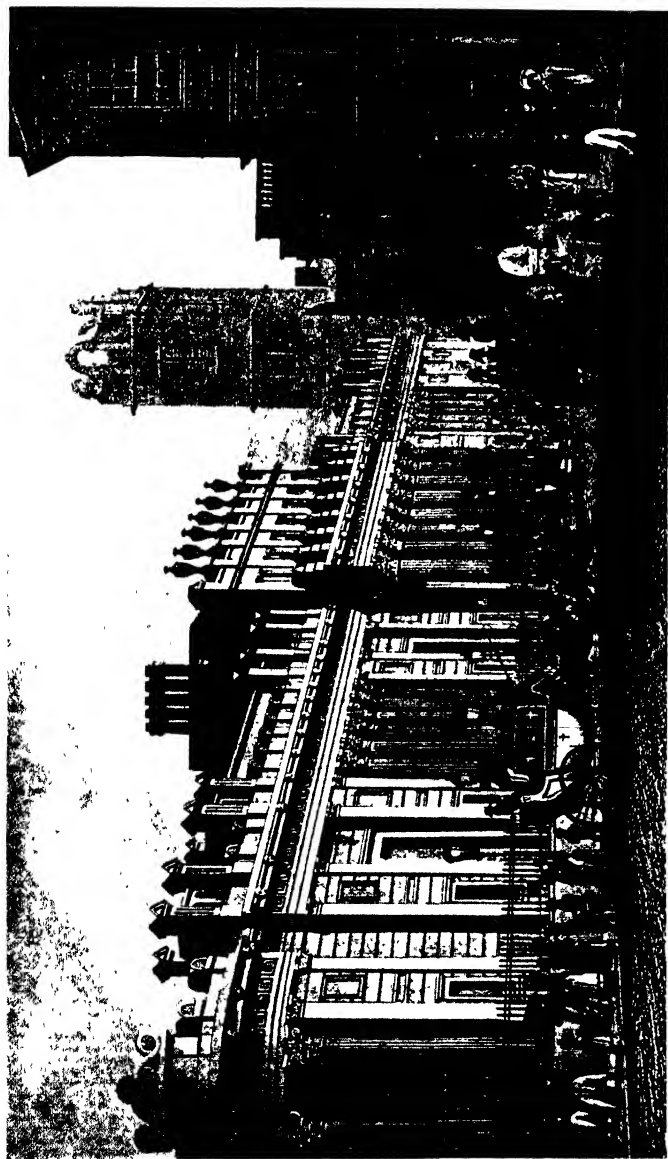
The Bank of England was violently shaken, and needing all her own reserves could only give sparing assistance to those other institutions whose fall might drag her down with them. From many quarters the Bank of England was blamed for having contributed to the crisis by making excessive issues. There were wild scenes on 'Change. News of the failure of the House of Pole, Thornton & Co., came on December 12th, and the next few days were anxious days for the money market and for the whole country. Funds fluctuated wildly. There were temporary suspensions in fourteen of the best West End firms. Then came the run on the Bank of England, a run that was unparalleled in the Bank's history. Through some secret of mob psychology

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there was more panic abroad at this time than there had ever been before in these periods of crisis. Even enlightened citizens took fright and the most dignified and worthy customers of the Bank of England lingered for hours in long queues outside the Bank's doors waiting their turn to secure their deposits or what they thought was left of them. Lombard Street was packed. People refused to go home at night, determined to know if the Bank would pay. There was a string of carriages the whole length of Cheapside and Fleet Street whose occupants were distressed clients of the Bank of England. Some courageous and enterprising tradesmen in the district offered to take banknotes in return for their goods, and one shop sold £2,000 worth in one day.

The Bank of England paid out, so far as it could; by the Saturday night the till and the treasure-chamber were empty. The authorities were distracted. The story runs that the situation was saved by one person who suddenly recollected the existence of a box of unused £1 notes that had been printed some time before, but had been put away and forgotten. The box was unearthed, and the pound notes paid out. Whether the story be true or not the Bank of England was able to tide over the difficulty and to save herself and the money market. Later it was acknowledged that the country had been within forty-eight hours of bankruptcy!

In 1830 there were again fears for the Bank's safety. A revolutionary spirit was abroad in Europe and had spread to England, where it identified itself with the economic unrest that was the outcome of the Industrial Revolution. Mills and machinery were destroyed and a large mob gathered in the streets of London. Fearing the wild dis-



*Drawn by Thos H Shepherd*

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From an old print, 1827

*Engraved by Wm Tomblason*



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order, the King deferred his visit to the Lord Mayor's Banquet, and all the Bank of England employees were ordered to remain on the premises in case of need, the Bank preparing for a state of siege by laying in casks of victuals. The mob raged throughout the City, but were easily dispersed and the immediate danger was over within twenty-four hours. But the trouble came to a head again in 1832. The country was then in the throes of the Reform Bill agitation. The working classes, particularly, thought the proposed Parliamentary franchise would herald a new and golden era and put an end to the economic grievances under which they were suffering. The Duke of Wellington was a bitter and powerful opponent of the Bill, and he and his party were responsible for the delays in passing the Bill through Parliament. When the Bill was rejected for a second time in the House of Lords, riots broke out in different parts of the country. Party feeling ran high. The Duke had the windows of his town residence, Apsley House, smashed by the mob in their endeavours to bring home to him the force of democracy. His political enemies however went to work with more subtlety, and they financed and engineered a neat plot against him. They had handbills printed, which ran: "To stop the Duke, go for Gold!" and on a given Sunday hundreds of these bills were posted in every public place in the City. The next morning, Monday, when the City reassembled there was a concentrated run on the Bank of England and over £1,500,000 was demanded in coin over the counters. One man alone presented £20,000 in notes on the Bank. The run lasted a week and funds fell drastically. After the run, the Bank recovered once more; gold was brought back again, and stock was repurchased but at a heavy loss.



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Danger from fire formed the next dramatic incident in the story of the Bank. Late one Wednesday night in midwinter, (the exact date was January 10th, 1838,) the Royal Exchange, the Bank's neighbour, burst into flames. The fire had already spread when it was discovered by the Superintendent in the Bank's Consol Office who was on duty that night. With the help of Bank firemen and the Bank's fire-engine they did what was possible to keep the flames under. More help came, but the work was rendered extremely difficult and dangerous because the night was intensely cold and the water pumped on to the buildings froze almost instantaneously. Supreme efforts were expended not only to save the Royal Exchange but to keep the fire from spreading to the Bank of England itself. At frequent intervals the firemen had to enter the Bank premises to get themselves warm and their clothes thawed. The fire raged all night, the while the bells of the ill-fated Royal Exchange pealed out: "There's nae luck about the house, there's nae luck at all." The Bank of England was saved, but the Royal Exchange in the morning was nothing but a mass of ruins covered with enormous icicles.

More excitement and danger arose during the Chartist troubles. This was another chapter in the Parliamentary reform agitation, but more organised and more formidable than the movement of 1832 had been. Economic grievances had come to a head, and many idealists and reformers alike, among them the early Christian Socialists, thought that the granting of the "People's Charter" (from which the Chartists derived their name) would be an effective way of bringing relief to the working classes. The movement was twofold, passive and militant. By 1848 there had been serious risings in different parts of the country. In

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April of that year, the Chartists were said to be marching on London. Urgent steps were taken to safeguard the Bank of England. Members of the staff were questioned as to their ability to use firearms. Wooden screens were erected in the Bank and soldiers posted behind them. Quantities of sand for defence purposes were carted into the courtyard, and as this did not appear to be sufficient the gravel walks in the garden were torn up to add to the quantity. The next day was spent in erecting a parapet of sand-bags on the roof, loop-holed for musketry. The entrance doorway in the west wall which had been built in 1803 was blocked in on the advice of military experts (and it remained blocked until 1882). In the City, special constables were sworn in to protect life and property. All these arrangements having been made, the Bank felt ready for an attack but the scare, like so many other scares, passed. The Bank breathed again, but it was considered wise to make structural alterations in the Bank building, a parapet wall being raised all round above the cornice to afford cover in time of defence.

As the century advanced, banking which had taken enormous strides, especially since the establishment of other banks after the year 1826, became more and more intertwined with the money market and the big business houses. It was similar to a huge complicated nervous system with the Bank of England as one of the chief nerve centres. An important agitation in the system would be promptly registered in the nerve centre. When, therefore, the important firm of Overend Guerney & Co. collapsed in 1866 there was universal consternation. It was another Black Friday for the City. A run on all the banks including the Bank of England followed, and the Government had to

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step in with assistance. This crisis however was slight compared with the Baring crisis in 1890, a crisis which, but for the action of the Bank of England, might have ruined the credit of the country. There had been other crises of big banking firms, there had been numbers of periods of fluctuation, of widespread bankruptcies, in a direct or indirect way affecting the Bank of England, but nothing caused such a sensation during the last years of the nineteenth century as the Baring crisis.

Messrs. Baring Bros. & Co. were a firm of the highest standing with a world-wide reputation as foreign bankers dealing largely in American securities. Many members of the Baring family had been Members of Parliament and Lord Revelstoke, the principal partner in the firm, was a Director of the Bank of England. In 1890 before the trouble came to a head, there was a severe depression in the market value of public securities. South American securities were particularly affected, Argentine stock falling 25%. The Barings had invested a very large amount of capital in the Argentine Republic and the unexpected Argentine collapse led to a sharp crisis, for Messrs. Barings were under a liability to provide about £6,000,000 for Buenos Ayres' drainage and water works. They could not find the money and had to appeal to the Bank of England for help. The Bank made investigations which led to the astounding revelation that the liabilities of Messrs. Baring Bros. amounted to more than twenty millions! If Barings fell, not only would it mean the ruin of one of the oldest and most reputable City firms, but it would without a doubt create a panic, and disturb the entire money market. The credit of the country depended upon the action of the Bank of England. The Bank, after

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conferring with the Chancellor of the Exchequer, and the Prime Minister consented to act.

The leading men of the City were summoned to a meeting at the Bank of England, and there the Directors of the Bank offered to undertake the liquidation of Messrs. Barings' affairs provided the leading City firms would give the Bank a guarantee against loss. Before the meeting ended, there were guarantees to the extent of £4,000,000, which later became £15,000,000. This decision saved Messrs. Barings' and the nation's credit, and it is particularly interesting as demonstrating how complicated were the ramifications of the money market and to what an extent the City would cooperate when occasion demanded. The commercial world was full of admiration for the action taken by the Bank, *The Times* of November 17th, commenting: "It is universally acknowledged that the Bank of England have earned the thanks of the whole community for the skill and promptitude with which they have brought to a satisfactory conclusion a most difficult and complicated piece of business," and a deputation from the Stock Exchange waited on the Governor of the Bank of England, William Lidderdale, and presented him with an Address, the words of which ran:

"On behalf of the members of the Stock Exchange, the Committee as their representative desire to express their high appreciation of the admirable and effective manner in which the recent monetary crisis was met by yourself as Governor of the Bank of England, ably supported as you were by your co-directors."\*

In May, 1891, the City of London showed keen appreciation of the Bank's actions by granting the Governor of

\* *Journal of the Institute of Bankers.*

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the Bank the Freedom of the City, presenting him with a casket of gold beautifully coloured with enamels and inlaid with precious stones. The Governor and the Bank Directors were entertained at a banquet given in their honour at the Mansion House by the Lord Mayor and Lady Mayoress, and in a speech made at the banquet by Mr. Goschen, the Chancellor of the Exchequer, public testimony was paid to the conduct of the Bank of England in the crisis through which the country had just passed.

CHAPTER VII  
BANK MISCREANTS



## CHAPTER VII

### BANK MISCREANTS

ARNOLD BENNETT makes one of his characters say: "My belief is the devil was born somewhere in the City near the Bank of England." Be that as it may, the Old Lady of Threadneedle Street, as the Bank was affectionately called,\* proved a ready magnet for a variety of miscreants, each of whom could have a whole chapter devoted to him.

Only a few months after the Old Lady's birth the first fraud was perpetrated, and the miscreant duly punished, but for the really ingenious rogues we have to wait a generation when we find the notorious Charles Price, alias Old Patch, King of Counterfeiters. His story is an amazing one. Charles was the son of a Welshman, a tailor's apprentice who had run away to London and had there set up a shop. From his childhood, the boy was an unmitigated scoundrel. Brought up in the home business, he entered as a mere child upon his nefarious career, early beginning his practices by trying his hand on his own father, swindling him in his own business by charging higher than the stipulated prices for goods and pocketing the excess. Incidentally, in his father's shop he learnt the art of disguise, donning old suits and twisting his features to fit in with a conceived rôle and becoming after a while

\* See Chapter IX.



quite a good actor. He forged his father's name on a £20 draft cashed by a neighbour and only escaped the gallows by dint of his mother's pleading. Hoping still to do something with him, his father apprenticed him to a West End storekeeper, but Charles was already beyond help. In order to create a good impression with the storekeeper, he stole a costly suit from his father, and subsequently a variety of articles from his new master. Both father and master washed their hands of him and he decided to set out and work his way by his own contrivances. He found himself at Yeovil, where he managed to procure a clerkship to a brewer and, past-master in the art of acting, he behaved in such an exemplary manner, and apparently exhibited such considerable charm that after a year the brewer offered him his daughter's hand and a partnership in the business. On a business trip, however, Price encountered his brother, who, rogue like himself, had been less successful and now demanded hush-money. Charles refused to pay, so his brother followed him to Yeovil and the benign brewer soon became enlightened about his future son-in-law. The offer of marriage was rescinded and Charles was turned out of the house. His life was now full of adventure and narrow escapes from justice. Occasionally there were spells of reformation when Price deported himself as a God-fearing man to the manner-born, and then he would adjust the balance by a goodly theft. On one occasion he crossed to Holland with £500, forged a letter of introduction from one of his masters, already dead, presented it at an influential Dutch business house and was cordially welcomed as a Mr. Johnson of a highly respectable family, awaiting a fortune from an uncle in the Spice Islands. Besides his

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plausible tongue, Price apparently possessed a pleasing exterior, for he soon became a favourite, was lavishly entertained and even begged to accept loans of money and a clerkship while he awaited the arrival of his imaginary fortune. He appears to have been, in the eyes of misled fathers, a very eligible husband for their daughters, for once again a master offered him his daughter's hand and a share in his business. And then, probably feeling that his luck was too good to last, Price inveigled the girl, who was very devoted to him, into entrusting him with £500. With this money he promptly absconded, surrendering a possible £50,000 and breaking the girl's heart. She died soon afterwards. On his return to England, he became a gay man-about-town, and then managed to procure the post of valet to a nobleman with whom he went on a tour of Europe. The next step he tried was setting himself up in business, but he soon declared himself bankrupt, disappearing however with a great deal of money. Some time afterwards he turned Methodist preacher, (this was in 1756,) won the affection and confidence of an old maiden lady in Chelsea, and distributed for her £3,000 in charity, all of which remained in his own hands. He next carried his gifts into the world of women, courting at the same time an heiress and her aunt. The former he married, the latter he set up in private apartments. His adventures here become too multifarious to follow. On at least two more occasions he started in business and became bankrupt, always with a large sum of money put aside for his own benefit, passing one short period in the Marshalsea, the debtors' prison, and another in Newgate, but his versatility was amazing and could not be despised. While in

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prison he wrote a pamphlet defending the Queen of Denmark, the sister of George II, and thereby procured his release. His wife being young, inexperienced and wholly ignorant of her husband's character, allowed her fortune to pass into and through his hands; playing at being a clergyman, and wearing green glasses, he made advantageous settlements with his own creditors on behalf of one whom he called his "rascally nephew". He then tried a series of other frauds, including lotteries, before his attention focused on bank-notes, and from that time onwards bank-notes became his ruling passion. He set himself to work with zeal. He procured a confederate, and in disguise they made their headquarters near Tottenham Court Road. He engraved his own plates and made his own ink, exercising the greatest care and thoroughness, so that it was with the utmost difficulty that the frauds were eventually detected. When he went to visit his wife whom he had lodged on the outskirts of London, he used different disguises, possessing a variety of costumes, wigs and false noses. He was aided by his mistress, in whose apartments he kept his printing machine and more disguises. She would act as spy for him, waiting nearby in a coach, with more disguises at hand ready to inform him of any possible danger. One of his favourite disguises was that of a tottering old man, muffled up, dirty, bandaged, wearing spectacles and a black blinker over one eye; hence the name of "Old Patch". He was soon turning out numbers of notes, all of which he was able to work off on lottery offices and shops, through specially chosen messengers. His notes circulated everywhere. Daily there were fresh victims. With glee, he would throw off his disguise in the evenings, frequent public

## BANK MISCREANTS

places, and sympathise with those who had been tricked by the mysterious rascal. The Bank offered liberal rewards for his capture, everybody was looking for him, and he was everywhere and never discovered. One unfortunate attempt at arrest was made in error. It was that of George Morland, the artist. He was living in Hackney at the time, had fallen upon bad times and was in mortal terror of being caught by the bailiffs. His harassed looks caused suspicion among his neighbours and rumour did the rest. Bank officials came down to arrest him and Morland, thinking they were bailiffs, fled. Mrs. Morland explained the situation and the Bank offered its apologies and £40 in compensation.

As a consumptive cripple, Price worked off altered notes at the Bank counter himself with notices for his arrest hanging on the walls. Wanting to leave for Paris, he pretended suspicions of an uneasy fellow-traveller, informed the Bank speedily that he thought he had got Old Patch, was asked by the Bank authorities to watch the suspect, handed him over to a representative at Calais and received a reward, thereby obtaining Bank money comparatively honestly for the first and only time in his career. Though it was proved that his victim was not the man required, he was discovered to be a rogue, although only a mild one!

Price's success continued for years. With time he altered his methods. He noticed that the paying-teller at the Bank's counter was separated from the cashier. Having hired messengers, he instructed them to pay cash to the teller, and bring him the tickets. These he altered in a second, by the addition of figures, making £10 into £100, £50 into £150, and then gave them, through the

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messengers, to the cashier to receive cash, which was innocently paid.

Throughout his reckless career the man Price had been distinct from the villain Old Patch, and Price enjoyed a good reputation, paid his rent, entertained, was fairly popular and had nothing against him. Finally, however, he was tracked down in 1776, after he had lived through fifty-five years of roguery. Imprisoned in Bridewell, he first maintained an attitude of injured innocence, then of arrogant bravado. He had word sent to his mistress to destroy all evidence against him, and she promptly burnt his disguises and dismantled and destroyed his printing machine, giving the paper-making frame as a present of a mangle to a neighbour. One Sunday he spent praying with his wife, writing meditations on Job, and a petition to the King on behalf of his wife and eight children. Then having left a letter to the head-gaoler thanking him for his kindness and complaining of the tyranny of the action taken against him, he committed suicide by means of a rope that his son had brought him. He was buried at midnight in a suicide's grave at the cross-roads.

His story has never yet been rivalled for interest, ingenuity and sheer audacity, but there were quite a number of other rogues who deserve mention. In the middle of the eighteenth century there was Richard William Vaughan, younger brother of the Attorney of Stafford. Pampered and spoilt, he was always the worthless son of the family. He had been sent to Pembroke Hall, Oxford, by his well-meaning parents, but went bankrupt with a discreditable record. Later he became a clerk to a Mr. Bliss, a wealthy man living and working in Lincolns Inn Fields, and as was the custom in those days, he lodged

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with his employer, with whom he acquitted himself satisfactorily. The story now becomes familiar. There was an only daughter, and there was a judge who wished to marry her, but Vaughan was young, and Vaughan was plausible. He had a kind mother, he said, who would gladly give him £1,000, £500 of which he offered to settle on the young lady. A marriage was therefore arranged, and a month's leave before the wedding was granted to Vaughan. He spent it by getting two engravers to engrave notes according to a special design, on paper that he himself provided. It was afterwards proved that the engravers, one of whom was a French refugee, had been innocent tools. Vaughan had fifty notes of £20 each made in this way. The design was the design of the Bank of England notes and the notes were skilful forgeries. Returning to his master's house, he paraded the notes before his betrothed who was duly pleased, though she remarked in passing that she thought the paper rather thick. Vaughan quickly explained that of course the thickness of paper used for notes varied considerably, and the lady was pacified. Then Vaughan played the "confidence-trick" on her, leaving her with a sealed packet of twelve notes and a promise extracted from her not to mention a word on the matter. Unfortunately, the same day, he tried to pass off a couple of notes on shopkeepers. He was immediately suspected. He hastened away and, returning to his fiancée, demanded the packet. The lady resented his manner and suspected his urgency. She refused to part with the packet for the time being, and the delay proved fatal for the young man. The next day he was arrested, one note which he had tried desperately to swallow being extracted from his mouth by force. The day that should

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have been his wedding day he spent in the condemned hold and on April 11th, 1758, was hanged at Tyburn.

In 1766 William Guest was one of the tellers in the Bank. He was the son of a Worcestershire clergyman and had other blameless antecedents. He had held his position for three years when suspicion fell on him. It was noticed that he was in the habit of sorting out new minted gold guineas and keeping them distinct from the rest. Search was made, and at Guest's lodgings implements were found for filing gold out of the milling grooves in gold coins. What Guest had done was to take home new guineas, file shavings of gold, about sixpence worth of gold from each, return the coin and mix it with others at the Bank. Bags of gold dust were found in his rooms, and he had already disposed of about a hundred pounds' worth. They took him to Tyburn on a sledge as they did State prisoners, and executed him.

A few years later Matthieson secured notoriety by imitating the watermark in such a skilful manner that the Bank's own witnesses in the trial refused to believe that his watermark was anything but the genuine Bank watermark. It was remembered that he had boasted "A Bank-note! Why, a Bank-note's no work. I could make one a day!" It was some time before he was arrested, for the evidence against him was difficult to procure, being more circumstantial than specific. After his arrest, maintaining a defiant attitude for some time, he broke down and confessed all. While in prison at Newgate, he offered to explain the intricacies of his method to the Bank if his life would be spared, but his offer was refused and he met his end.

Counterfeit notes were so numerous and rogues so

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plentiful that money-brokers took spies into their pay and sent them everywhere.

In 1789, Francis Fenton, a clerk in the employ of the Bank was executed for forgery. He had obtained a friend's signature to the transfer of £450 and had given him a forged receipt for £50 stock.

At the beginning of the eighteenth century the case of Robert Astlett startled the financial world. Astlett had been in the service of the Bank of England for a great number of years. He was the assistant and regarded as the adopted son of one of the most highly-respected men in the Bank, Abraham Newland, the renowned cashier, whose reputation was almost as high as that of the Old Lady herself. That a fraud should be perpetrated by one so closely connected with him provided the sensation of the day.

It was one of those periods when speculation was at fever height and there was ample scope for swindles, bribery, and forgeries of every description. The desire for making money became a frenzy. A certain popular stockbroker named Atkinson, would frequently offer, if he felt so disposed, to increase £1,000 to £10,000 if he were given a free hand with the money for a stated period. He was often successful and nobody thought of questioning his methods. Fortunes were made in a few hours. Cabinet Ministers were accused, generally without reason, of using private State information to feather their own nests and one unfortunate Prime Minister felt himself called upon to set up a Committee of Inquiry into the conduct of his colleagues.

Amidst stock operations, which for the period were immense, there suddenly appeared a mysterious newcomer, who dealt in such large stakes that three private bankers



were unable to cope with all his affairs. He was ready for every movement of the market and anticipated with amazing accuracy various government financial dealings. His success and his rapid accumulation of wealth aroused the enmity of rival rogues. It was a case of setting a thief to catch a thief. They ferreted him out with the hope of blackmail in their minds. The most persistent of these knaves was a Mr. Bish who, having made a fortune by bogus lotteries, could never countenance with equanimity a scoundrel as clever as himself. He would worm his way into confidences and then give information which tickled his pockets and sent his confederates to the gallows.

Astlett paid a customary visit to one of his brokers, in this case Mr. Bish, and requested him to purchase stock to the value of £50,000. Bish pointed out the risk of fluctuations whilst the purchase was being made and suggested that security would be desirable. Security was no trouble to Robert Astlett; he placed upon the desk a substantial wad of Exchequer Bills and departed. Bish examined these Bills with interest, recognising some as having passed through his own hands and as having been paid into the Bank by him. He was well aware that after receipt by the Bank they should never again appear in circulation. He immediately went to the Directors and denounced his customer and collaborator. Astlett was brought to trial in July, 1803, on a charge of embezzling three Exchequer Bonds of £1,000 each. The prosecution showed that it was the Bank's custom to buy these Bills and Astlett's duty to keep them until a bundle had accumulated. What he had done was to make the total, one that would be convenient, and then embezzle odd bills. Altogether he had defrauded the Bank of over £300,000.

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The trial was a famous one because Astlett's ill-gotten wealth enabled him to engage Thomas Erskine, (later Lord Erskine), the greatest counsel of the day, of whom it was said: "Even the great luminaries of the law when arrayed in their ermine bent under his ascendancy and seemed to be half subdued by his intelligence, or awed by his vehemence, pertinacity and undaunted character." Erskine's versatility was well displayed in this case, for he gave a new and unexpected turn to the proceedings by asking for definite proof from the Treasury that the official who had signed the Exchequer Bills on their issue was duly authorised so to act. It was the most effective of "red herrings", for all the searchings of laws, enactments and proclamations failed to reveal the warrant and validity of the issue. The Treasury official suddenly and alarmingly found himself in a position to be threatened by prosecution and Parliament had to protect him by passing a hurried Act of Indemnity. As a result of Erskine's brilliance, Astlett was acquitted and prepared to settle down on a sum of £20,000 which a friend had rescued for him from Lombard Street.

The Old Lady of Threadneedle Street had been aroused, however, and was not to be daunted even by the greatest brain of the time. Another action was brought against Astlett for the recovery of £320,000 of Bank's money that he had converted to his own use. On this charge, in spite of a battle of wits, Astlett was found guilty and much to his own surprise and that of his friends, was condemned to death. The sentence was, however, remitted within a few days and Astlett spent the rest of his life in Newgate where his money enabled him to buy comparative comfort. The Bank's total loss was £325,000

but Astlett must have made well over £1,000,000 out of the money he had embezzled and subsequent speculations.

Among numbers of other miscreants there were Robert Roberts, an illegitimate son of a well-known family, who impersonated among others, the Earl of Northumberland, made a fortune out of "hush-money" and ruined a score of young fellows; Benjamin Walsh, Member of Parliament and son of a Bank Director, who committed a fraud for over £20,000, was convicted and would have been put to death had not every ounce of family influence been brought to bear; and Foss, a copper-plate printer who imitated the Bank's watermark, printed an edition of notes, and when arrested turned King's evidence. But one of the most outstanding cases was that of Whitehead.

Philip Whitehead was a handsome young clerk in the Cashier's Office in the Bank of England. He combined with an attractive appearance, an extremely high opinion of himself and set out to play the perfect gentleman in the sense of the gallants of the time. One of his contemporaries put it genteelly in the following manner: "Being rather too high-minded for his income and possessing a most gentlemanly address, his company was courted by persons of independent fortune." He soon became the target for adventurers who by flattery and cunning were able to make a perfect tool of him. He took a great establishment and set at the head of it his sister Sarah, a young girl of nineteen, who adored her handsome brother. His house quickly became the rendezvous of revellers and the attention of the Bank Directors was drawn to him. They rebuked him for his manner of living and he promptly resigned his position in a huff. He then began to gamble

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on the Stock Exchange, was successful to start with, then found fortune against him, and became reckless. He produced a bill of £87 10s. od. before a firm of Roberts, Curtis & Co. and asked them to discount it. The bill, when presented, was found to be a fraud. Whitehead was arrested, and on November 2nd, 1811, was condemned to death at the Old Bailey.

The great tragedy, however, was the effect on Whitehead's sister. They forbore to tell her what was happening, friends removing her to new lodgings so that she should not hear the tolling of St. Sepulchre's bell when her brother was led to the scaffold from the debtor's prison. Mystified by his long absence, she finally went to the Bank to make inquiries, and there an ignorant young clerk blurted out the whole story. The shock was so great that she lost her reason. From that time onwards, daily, for twenty-five years, she journeyed to the Bank, loitered about for her brother and then would go in and quietly ask if he had called that day. Invariably she got the same reply: "Not to-day, Madam." Generally she would add: "Tell him when he comes that I have called," and would then depart. Everybody knew her and treated her with compassion and gentleness. Dressed in black, with her head draped with streamers of black crepe, holding a reticule on her arm, she became one of the most familiar figures in the City. Her crudely painted face earned her the name of "Rouge et Noir", but more often she was called "The Bank Nun", or "The Black Nun", from her nun-like head-dress, and some people have thought that she gave the name of "The Old Lady of Threadneedle Street" to the Bank. She was never allowed to be in want. Everybody helped her. The Directors and the Clerks of

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the Bank and people on the Stock Exchange never passed without giving her money. Her brother's friend, Alderman Birch, saw to it that she had a small annuity, a room, and other wherewithals of life. Daily she would be found during the dinner-hour at one or other of the City alehouses, generally "The Cock" in Threadneedle Street, and always there was somebody to provide her with a meal and a glass of wine.

She was the victim of various obsessions, one being that the Bank was keeping immense sums of money from her. She began to make violent demands for the money and had to be forbidden the premises. Then she turned her attention to the Stock Exchange and one day made a raucous attack on Baron Nathan Rothschild when he was in the midst of conducting an important business transaction. She upbraided him, calling him a villain and a robber, and after denouncing him for having defrauded her of her fortune, demanded £2,000 which she said he owed her. The Baron paused from his business, looked at her quietly for a moment, took half-a-crown from his pocket, and handing it to her, said: "There then, take that, and don't bother me now! I'll give you the other half to-morrow." Whereupon she thanked him and contentedly went away. She died suddenly when she was about sixty, and her memory was retained in a sensational melodrama written soon after her death, called "The Lady in Black; or the Old Red House and the Nun of the Bank".

## CHAPTER VIII

MORE ROGUES AND VAGABONDS



## CHAPTER VIII

### MORE ROGUES AND VAGABONDS

THE Old Lady of Threadneedle Street must still blush—and with reason—when the name of Slender Billy is mentioned, for he was a man who tricked and fooled her in a variety of ways. His real name was William Habberfield, and he spent the greater part of his life in dealing in forged Bank of England notes. He had a beautiful daughter, who was a dangerously fascinating minx besides being a clever little accomplice. For several years Bess Habberfield wandered around London banks and trading houses disposing of forged notes, always using a certain indefinable power of feminine charm and pertness to detract attention from the spurious wares she offered. By a trick of fortune she has found her way into literature, having been taken as the heroine by John Hamilton Reynolds, a virile poet who was a great friend of John Keats, and brother-in-law of Hood. In his poem "The Fields of Tothill", he writes:

*"My heroine's name is at the best call'd Bessy,  
A very laughing, rosy sort of creature:  
The more romantic name of Rose or Jessy  
Was due, beyond a doubt, to her sweet nature,  
Her hair is what the Cockney School call tressy;  
And loveliness, like oil, glosses each feature*



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*Of her round dimpling countenance, and lends  
A quakerish look—but warmer than a friend's.*

*While you gaze sily at her eyes, you're brewing  
A cup of dangerous mischief for your drinking;  
They look all full of sweet and maddening ruin,  
And do a deal of havoc with their winking;  
They're like the darkest flowrets with the dew in;  
And if you meet them fully there's no slinking;  
They snare one like the serpent's, till one feels  
Very confus'd between the head and heels.\**

A third character made up a trinity which gave the Bank of England several very trying years. He was an errant artist and engraver with dissolute habits which had plunged him up to the neck in direst poverty. This artist (whose name is obscure) was engaged by Habberfield to assist in engraving the plates from which the forged notes were printed. He was locked in a cellar beneath Habberfield's shop in Westminster with a candle and a bottle of gin, and as long as the bottle was constantly replenished he would work on, making plates of bank-notes on the Bank of England and country banks at Sheffield, Bath, Exeter and other places. A pitying passer-by once gave the artist a new pair of nether garments; but he sent a boy round to the nearest drinking-den to barter them for a bottle of gin. The man who had bought them for a shilling came to see him, and jeeringly told him that he had afterwards sold them in Seven Dials for ten shillings.

In his shop William Habberfield sold birds, ferrets and a variety of miscellaneous and frequently illicit objects,

\*This poem which was embodied in a rare edition of *The Fancy*, a work of great literary value dating from 1820, has been republished within recent times with a memoir of Reynolds by John Masefield.

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chiefly for the eager clientele of the Westminster School boys, legend having it that he had been an old Westminster boy himself. His chief ostensible business was the making of glue by the boiling down of the carcasses of dead horses and other animals. Habberfield, around whom many stories grew, was credited with the grotesque tale of having thrown a hated excise-man into one of his vats and boiled him down, a charge he categorically denied when it was brought against him. In his cellars he indulged in the popular pastimes of bear-baiting, or setting bull-terriers on to the killing of rats for the sheer love of the game. His establishment soon became a rendezvous for the gay sports of the time of whom the chief was the poet Reynolds, already mentioned. Apparently, it was an age when literature could countenance barbarous practices of this kind, for as John Masefield says in his Memoir of the poet: "He was one of a set of boon-companions, the very salt of the earth, who often roused the night owl in a catch and called drinking deep, dyeing scarlet. They were a literary company. Among them were half a dozen of the most brilliant young men in England. They were witty, learned, critical and poetical. They were also quick with young blood and eager for any ginger that was hot in the mouth." This ginger, Reynolds and his boon companions would frequently find in Habberfield's cellars, and he himself has been immortalised by Reynolds in verse as:

*"Childe Bessy had a father, as I said,  
A man of science in his own strange way;  
He train'd the half, and broke the thoroughbred,  
And fought a match in exquisite array;  
He kept a bear and badger, and he led*

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*The former through the streets to dance by day;  
At night, by candlelight, in cellar dim,  
He chain'd the furry brute and baited him.*

Habberfield in the midst of these pastimes and his merry company kept his secret affairs to himself and went on turning out forged note after forged note. But his hour came. The Bank authorities had for a long time been on the track of the forgeries, and one day the poor drunkard whom he kept working for him in the private cellar blurted out the story of how the notes were made. Habberfield was in a tavern at the moment of his arrest. When the officers came in he tried to ward them off with one hand while he seized a roll of notes and held them in the flame with the other. He held the notes too tightly however, and during the few seconds while his hand was free only part of the notes were consumed and the charred fragments of the remaining parts were enough to convict him. He was such a popular figure that influential friends were able to intervene. He was accorded a respite of a fortnight, on condition that he would furnish the name of the man who made the spurious notes, but he refused to do so although he knew it had been the poor drunkard who had really given him away.

Prior to his trial Habberfield was lodged in Newgate. As evidence against him, the Bank of England authorities had only the charred fragments of the forged notes, and they were anxious to procure entire specimens. They therefore resorted to methods which the public at the time, chiefly owing to the popularity of Habberfield, regarded as extremely mean and shabby. They provided several prisoners at Newgate with genuine one pound

notes and bribed them to exchange them with Habberfield for "genuine" forged notes.

Valiant efforts were made to save him, but the evidence against him was too overwhelming. R. S. Surtees, the creator of "Mr. Jorrocks" contributed a five pound note towards procuring a hard-mouthed counsel for "poor Billy", but in spite of all, he was convicted and executed on 29th January, 1812.

About the year 1821, William Turner, clerk, attempted to defraud the Old Lady of £10,000 by removing a leaf from the transfer-book and renumbering the pages. He had been asked to place £4,795 15s. od. in Navy Five Per Cents to the account of Sir Robert Peel, and he credited him instead with £14,795 15s. od., opening an account for himself with the £10,000 in an assumed name of John Penn of Highgate. It was only by an accident that the fraud was speedily detected and then the Directors hesitated to believe the guilty person to be Turner, who up till then had been respected and liked. Their hesitation gave him a chance to escape, for the plain-clothes officer who was put in charge only exercised a nominal vigilance. The night of his so-called arrest, Turner, locked in a room of a coffee-house, attempted to escape by means of a twisted rope made of the bedclothes. The rope broke and Turner fell from the third story, was seriously hurt and narrowly escaped with his life. He was taken to St. Bartholomew's Hospital where he lay for months before he was well enough to attend a trial. Finally, he appeared on crutches, looking a pitiful object, and owing to the compassion he inspired and the confusion of some of the witnesses he was acquitted. He had to leave the country, went to live on the shores of Lake Como, and later returned to England,

where he was carefully watched and finally became a beggar in the slums of London, ending his life there.

As to Henry Fauntleroy, he was a partner in the big banking house of Messrs. Marsh, Fauntleroy & Co., of Berners Street. The reputation of the house had been high for two generations when a general business slump in 1810 brought about the fall of a number of houses and a run on the bank of Marsh, Fauntleroy & Co. The sum of £70,000 was paid out and the bank was practically ruined. In the vain hope of resuscitating the firm, Fauntleroy, in whose hands the whole effective control of the firm seems to have rested, kept the news of the disaster from the Directors and shareholders and began to speculate in what little remained. Fortune went against him and he became desperate and speculated with bigger stakes. For fifteen years he gambled, losing steadily and devising method after method for keeping up the deceit of the so-called transactions of the firm. He was one of three trustees for eight children and forging the names of the co-trustees to a power of attorney he was enabled to sell £30,000 of Consols that stood in their joint names. The Bank of England had begun to be suspicious of the house and had refused to accept their bills. Forgery followed forgery, and at one time Fauntleroy who, apart from this side of his character, seems to have been a likeable man with some sense of equity, drew up a full list of his forgeries with reasons attached, in his own handwriting. This concluded with: "In order to keep up the credit of our house, I have forged powers of attorney for the above sums and parties and sold out to the amount here stated and without the knowledge of my partners. I kept up the payments of the dividends and made no entries of such payments in

our books. The Bank first began to discount our acceptances and to destroy the credit of our house. The Bank shall smart for it."

Fauntleroy was right; the Bank of England lost £360,000 by his forgeries. In one year Fauntleroy had made away with £100,000. Sooner or later he knew he would fall into the hands of the law. A Chancery decision ordering him to pay £50,000 of Bank stock to the Accountant General was presented. Fauntleroy tried to put off the evil moment but failed. Inquiries led to the astounding fact that the stock had been sold out to the last £500, and the ruined condition of the house lay exposed to the public. Though the news spread quickly, very few people outside a small band of City men would believe it, so well had Fauntleroy kept up the legend of his firm's reliability. Numbers of wealthy families found themselves seriously affected. When the list of his forgeries was found in his office, it created an uproar. On all sides there were people clamouring for his blood. Hundreds filled the courtroom at the Old Bailey eager to see the prisoner whose finely cut features, pale sensitive face, grey hair and slightly bowed figure belied the knave in him. He could have been tried on numbers of charges. The one chosen was that of defrauding his wife's family of £15,000. His wife was no friend to him and his wife's sister provided all the necessary evidence to convict him. He was found guilty. During his last hours he received among his visitors a merchant whom he had secretly warned to withdraw his deposit from the bank in Berners Street before the discoveries were made, and who now came to thank him. Another was a friend who wished to ascertain the place where he could purchase the rare wine, Curacoa with

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which, at his occasional and exclusive dinners, Fauntleroy had been wont to entertain his friends.

On the morning of the 30th of November, 1824, in a dense fog, combined with a drizzle, a mob of over a hundred thousand assembled to see the hanging. Fauntleroy remained amazingly calm and self-composed and every hat was impulsively removed when he met his end. After the event, the tale spread that the executioner had been bribed, a silver tube had been inserted in the throat of Fauntleroy and the living body had been quickly removed to Paris, where he was said to be enjoying a holiday he had denied himself for fifteen years.

William Burgess' story was not so varied, but he went further afield, literally speaking, for his exploits took him to America.

He was a clerk in the Power-of-Attorney Department in the Bank. By pre-arrangement with his accomplice, a man named Elder, he identified him as being a Mr. Oxenford and passed him over £8,000 of stock standing in that gentleman's name. The note was cashed and gold paid out. Elder, according to plan, waited for Burgess in a public-house at the top of St. Martin's Lane, and then both dashed to Liverpool, boarded the steamship *Britannia* and set sail for America. The theft was soon discovered in London, a hue and cry was raised and a thrilling pursuit across the Atlantic was started. They were traced to Halifax, Boston and New York. Unaware of the trend of things Burgess and Elder had in the meantime returned to Boston. Seven thousand pounds were deposited in a bank and with the remaining money, Elder realised a life-long dream by setting himself up in a public-house, while Burgess played the rôle of the grand gentleman-about-

## MORE ROGUES AND VAGABONDS

town, having a fine house built for himself and flaunting his wealth by burning raisins in real champagne. And into this fool's paradise came the pursuers. Elder, arrested in his public-house, hanged himself. Burgess, benefitting by a few minutes' warning, escaped from a hotel where he had been staying, made for the coast, and eluded the men by putting out to sea in an open boat. After spending all day, without food, he desperately threw away his oars and entrusting himself to the winds was driven on to a lighthouse rock. For some hours he managed to live on sea-weed, keeping the only other man on the rock, the lighthouse-keeper, at bay. Finally, his strength left him, and the keeper, seizing him, sold him for a few dollars to the representatives of the law who were waiting for him. He was brought back for trial to England, was eventually transported for life and a great deal of the money that he had seized was returned to the Old Lady of Threadneedle Street, by the American Bank.

In the meantime there had been an active movement against the death penalty for forgery. The responsibility of sending a man to his death began to weigh heavily on the public conscience. Although juries hesitated to convict and merchants and bankers refused to prosecute, there were still numerous executions, men being hung in strings; "Monday mornings," according to a contemporary, "witnessing a waste of human life alike horrifying and disgraceful." Numerous petitions were presented to Parliament on the subject, one petition containing the signatures of nine hundred country bankers, another petition including the signature of N. M. Rothschild.

Sir Robert Peel introduced a Bill into Parliament for mitigating the punishment but it was thrown out by the



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House of Lords; finally two years later,\* a Bill passed both Houses and became law, abolishing hanging for forgery except in the cases of forged wills and powers of attorney.

For the next century the sensational frauds and failures were chiefly those connected with other City Houses than that of the Old Lady. In 1854 there was the case of Davidson, Gordon & Cole, which shook the financial world; later Strahan, Paul & Bates, and in 1856 a regular epidemic of fraudulence of which the most remarkable was that of Sir John Sadleir, M.P., Junior Lord of the Treasury and Chairman of the London and County Bank, who having defrauded the public on a most extensive scale, committed suicide on Hampstead Heath.

One of the last thrilling frauds connected with the Old Lady of Threadneedle Street, was in 1873, and was perpetrated by three apparently cultured men, Americans, George Bidwell, Austin Biron Bidwell, and George Macdonnell in association with an Englishman. They obtained first class bills from leading firms like Montagu & Co., Blydenstein & Co., of Amsterdam, the Rothschilds of Paris and the Barings of London, counterfeited them most carefully and presented them to the Western Branch of the Bank of England, where they were accepted because of the large standing account and reassuring reputation one of the Bidwells had with the Branch. Only through the tiniest mishap were the confederates discovered. Two bills, each of £1,000 on Blydenstein & Co., payable three months after sight, did not bear the date of the sighting. The clerk dealing with the bills in the Bank's department, thinking this a simple clerical error, sent the bills to Messrs. Blydenstein for rectification. The forgeries were

\*In 1832.

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discovered. The thieves fled and were pursued half-way round the globe to be caught at long last, one in New York, another in Havana. They were brought back and sentenced to penal servitude for life. The Old Lady had been defrauded of over £77,000, part of which was recovered, and the total cost of finding the rogues and bringing them to justice amounted to £46,419 os. 9d.



## CHAPTER IX

THE OLD LADY LOOKS BACKWARDS



## CHAPTER IX

### THE OLD LADY LOOKS BACKWARDS

THIS might be the place, at the end of the nineteenth century, to say a few words on the architecture of the Bank of England, the *Old Bank of England* as it will soon be described when the new building which is in process of erection will be completed.

Every Londoner and every visitor to London has been familiar with this old Bank of England, the "Old Lady of Threadneedle Street" as she was affectionately called, and it is only fitting as well as historically important that details of her architecture should be preserved in print against the day when her bricks and stones are supplanted by a grander but necessarily unfamiliar "New Lady of Threadneedle Street".

The Bank of England comprises four acres of banking halls, offices and courtyards enclosed within screen walls extending down Threadneedle Street, Lothbury, Bartholomew Lane and Princes Street.

The site chosen for the Bank was that of Sir John Houblon's House near the corner of Princes Street and Lothbury. Such a choice was fitting as not only was Sir John Houblon the first Governor of the Bank of England, but the site itself was one of the most historically important in the whole of London. Situated in what was almost the centre of the City, the house was on the site of what had

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been the busiest part of Roman London. Sir John had built his house here after the Great Fire of 1666 had destroyed the house in which he had then been living.

It will be remembered that the Bank of England had found a temporary home in the Grocers' Hall, but when her prosperity became assured it was decided to build her own accommodation. The first designs for the building of the Bank of England were those submitted by George Sampson, and the Hall and Front Courtyard were carried out according to his plans.

In 1732 the foundation stone of the Bank of England was laid. Quite recently under the base of Pay Hall, a mason's stone was found with the names Thomas Dunn and John Townsend, Masons, cut upon it; they were the men instructed to carry out the erection of the first building according to the designs of Sampson. In connexion with this, the following newspaper cutting of August 3rd, 1732, is of interest; it runs:

"About one o'clock, the Governor, Sub-Governor and several of the Directors of the Bank came to their new Building in Threadneedle Street to see the first stone laid; and after they had viewed the stone on which His Majesty's and their several names were engrav'd, the same was covered with a Plate of Lead, and that with the Base of a Pillar. They then gave 20 guineas to be distributed among the workmen."

In 1734 the Corporation of the Bank of England moved into its new home and in January, 1735, to the accompaniment of three volleys of guns, a statue of the Bank's first royal patron, William III, was set up in the New Hall with the grandiose inscription on the pedestal:

THE OLD LADY LOOKS BACKWARDS  
*For Restoring efficacy to the Laws,  
 Authority to the Courts of Justice  
 Dignity to the Parliament  
 To all his subjects their religion and liberty*  
 And—  
*For confirming these to posterity  
 By the succession of the illustrious House  
 of Hanover  
 To the British Throne  
 To the Best of Princes, William III  
 Founder of the BANK,  
 This corporation, from a sense of gratitude,  
 Has erected this statue  
 And dedicated it to his memory  
 In the year of our Lord, MDCCXXXIV  
 And the first year of this building.*

The Bank of England began, as will be seen by the illustration facing page 50 by being a small building of very modest dimensions, but as the Bank's prosperity grew the needs of the Bank grew and the Bank Directors constantly required additions to their site. In 1760 they purchased the freehold of an estate to the east of the Bank on which there had stood the Bank Coffee-House, and a well-known City tavern, the Crown Tavern. In the same year, Robert Taylor became the Bank's architect. To him is credited, among other portions of the building, the Court Room, the Director's Committee Room and the famous Rotunda, or Round Hall which was modelled on a Roman Bath with frescoes round it of the rising and setting sun.

The Rotunda was rebuilt in 1795 by Soane and it became one of the distinctive features of the Bank. No visitor ever dreamed of leaving without having first viewed it. Until



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1838 the Rotunda was used as a market for the purchase and sale of government stocks and it seemed to constitute the very nucleus of the Bank of England itself.

Over the entrance to the Hall, Taylor placed a statue of a woman with a mound beside her. The mound was vague in its detail, and the sprig which the figure held in her hand was almost equally as vague. This figure has been the occasion of considerable dispute. Some say it was meant to represent the Bank of England and was a replica of the figure on Bank of England notes, that of a woman sitting draped holding a sprig in one hand and a spear in the other, while beside her lay a heap of something which might have been a heap of coins or, so indiscriminate did the mound appear, might as easily have been a beehive, or even the sea. Investigators have for a long time debated the point as to whether the draped figure was supposed to be Britannia or merely an allegorical symbol of the Bank. Now it has been definitely settled, *that the figure on the notes was meant to represent Britannia*, for the following has been discovered, from a record of the early days of the Bank's history:

"At a Court of Directors at Mercers Hall, Monday 30 July 1694 (in the afternoon).

Upon putting the question it was ORDERED that the Seal wh. was now shewn to this Ct. cutt in Steele, whereof the Impression is hereunto annexed, being Britannia sitting and looking on a Bank of mony, with the following inscription (The Seale of the Governr. & Company of the Bank of England) be the Comon Seale of the Company in all their Transactions."

An old print of the Bank of England dating from 1761 seems to indicate the existence of a signboard with the

figure of Britannia on it suspended in front of the building. This would not be surprising in view of the fact that every important building and house of business had a distinguishing ensign hanging in front of its establishment.

About this time the Bank of England comes to be called by the affectionate name of the "Old Lady of Threadneedle Street".

The origin of the name never ceases to be a subject of interest. In all probability it was derived from the sign-board and Taylor's statue, although some people have tried to attribute the name to the Bank Nun, Sarah Whitehead, whose tragic history has been dealt with in a previous chapter. Others, opponents of the Bank of England, said that it was the counterpart of the fabled Mrs. Partington, who, possessing a cottage perched on a cliff overlooking the Atlantic, spent her time trying to keep back the ocean by assiduous stemming with her mop; the far-fetched analogy being that the Bank of England, in the opinion of its enemies was trying to stem "the Atlantic waves of national progress". That the term the "Old Lady of Threadneedle Street" was becoming current at the end of the eighteenth century is proved by the famous cartoons of Gillray depicting the younger Pitt in various, none-too-happy situations with the Old Lady. Sheridan, the dramatist and politician, also uses the allusion when delivering a telling speech during the crisis of 1797. In this he talks of the Bank "as an elderly lady in the City, of great credit and long standing who had lately made a faux pas which was not altogether inexcusable", and goes on to say that he hopes "the old gentlewoman, by timely cutting and breaking off the connexion with the young gentleman

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might once more regain her credit and injured reputation", the "young gentleman" referred to being the Government of the day under the Premiership of the younger Pitt.

The work of Sampson and Taylor was important, but the greatest achievement of all was that of Sir John Soane, the renowned architect whose work for the Bank earned for him a world-wide reputation. In his opinion and that of succeeding generations, the Bank of England was his greatest work. By the time he was appointed Bank architect, the Bank's business had developed so much that it was necessary to have a complete remodelling of Taylor's as well as of Sampson's work. With one or two exceptions, therefore, the whole of the Bank of England that the last century has known was the creation of Soane.

Soane's admirers have been legion, but there have also been a number of people to whom his work made no appeal. He affected a style that was a blend of the modern and the classic, pleasing to some, irritating to others. Much was copied from the Roman and Greek styles of architecture, particularly such features as monuments, caryatides, and porticoes. His fine uplifted columns conveyed an impression of dignity, majesty and at the same time austerity, though here and there, as in the Dividend Office with its huge medallions, the final result was, to use an apt description, "too rich to be digestible". The unique Curtain Wall which has been universally admired, was from a design of his own. His plan was to have top-lighted halls screened from the street by a great blank wall. This ingenious plan has proved so successful for the last hundred years that Sir Herbert Baker, the architect of the New Bank of England, may probably retain it on the



THE BANK OF ENGLAND AT THE BEGINNING OF THE TWENTIETH CENTURY

The work of Sir John Soane



## THE OLD LADY LOOKS BACKWARDS

grounds of its merits and also as a testimony to Soane's genius. The Vestal Temple leading to the Rotunda in Soane's building, was on decidedly classic lines, as was also the Lothbury Courtyard with its free adaptation of the Temple of the Sybil at Tivoli. The Prince's Street entrance, too, gave the impression so necessary for the Bank of strength, dignity and stability. As mentioned above, Soane remodelled the Rotunda, making it fifty-seven feet in diameter, and he worked into the building an entirely new system of fireproof construction. His efforts were attended by a great deal of interest on the part of the public, and the following letter dating from 1803 is typical of the general opinion of the time. It runs:

13 Lincoln's Inn Fields,  
Feb. 18. 1803.

SIR,

*When the immortal Sir Christopher Wren was sinking the foundation of that elegant structure which is so great an ornament to the City of London, and adds such dignity to his celebrated name, St. Paul's Cathedral, he had occasion to go very deep before he could obtain a satisfactory resting for the North East Corner, and when his friends remarked to him, long before he got the depth he thought necessary to go, that he had sunk deep enough, his reply was, "I am building for Eternity". The Citizens of London, viewing with emotions of pleasure and satisfaction, the alterations and improvements Mr. Soane is making at the Bank of England hope he will keep in view the same idea; and surround it with Beauty, Elegance and Convenience, particularly in taking down the West side of Princes Street, and making a bold open street from Lothbury to the Mansion House, so as to show as much of it as possible to*

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*people passing to it from thence, and not suffer any little narrow policy, or a self interested circumstance, to stand in the way of transmitting his own name, in connection with the present highly respectable body, the present Directors of the Bank of England down with respect to the admiring view of future prosperity.*

“ONE OF TWENTY THOUSAND.”\*

When Sir John Soane's work was finished in 1827, his Bank of England was proclaimed to be a masterpiece, and a building really fitting to represent such a venerable, worthy institution. There were however a sprinkling of over captious or over æsthetic critics who looked askance at the classic embellishments of the Old Lady “coiffured in Greek curling papers”, as they said, but the Old Lady of Threadneedle Street has been used to criticism, and the remarks made a century ago sound very similar to the remarks being made now when a New Old Lady moulded on modern robust lines is supplanting the classic coiffured one.

John Soane was the Bank of England's architect for forty-five years and was knighted in appreciation in 1814. In March, 1835, the architects of England paid him homage by presenting him with a gold medal. By that time Sir John Soane was over eighty. For ten years he had been troubled with cataract of the eyes, but though he had officially retired from his work, he continued to give advice on new sites and plans for the Bank's branches that were being opened after 1826. He continued his work, which had become his life's interest, while his strength was with him. He died in January, 1837.

The following notes on the various apartments are

\*Quoted in *The Old Lady of Threadneedle Street*.

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quoted from an Old Guide Book called *The General Ambulator*, published in 1820, and it is as well to preserve these descriptions of the "Old Lady" in print as her principal features will soon be lost to us for ever.

"The centre of the principal or south front, with the Pay-Office, and some other apartments on the same side, were designed by Sampson, and built in the years 1733 and 1734: the wings, and the returns on the east and west sides, with the several offices immediately attached to them, were erected by Sir Robert Taylor, between the years 1770 and 1786: all the other, and by far the most extensive buildings, have been designed and erected by Mr. Soane between the years 1788 and 1816. The whole internal arrangement has been also greatly improved by the latter gentleman, and adapted to one general plan: and all the new buildings raised under his direction have been wholly constructed of incombustible materials, to prevent destruction by fire.

"The *Pay-Hall* is a noble room, 79 feet in length, and 40 in breadth: here is a good statue of William III, by Cheere; and directly over the hall, in a building erected for the purpose, a very ingeniously contrived clock was fixed up about the year 1812, which shews the hour on *sixteen* dial-plates, in different offices, besides striking the hours and quarters on very large bells, to denote the time to the other offices. This clock is known as the Turret Clock. It was ordered in 1808 and first set going in 1811. It was made by Thwaites and Reid, of Rosamond Street, Clerkenwell and is an ingenious piece of mechanism intended to obviate the inconvenience of the dials in the various offices differing with each other. One machine moves the hands on all the dials by means of brass rods.



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"The *Court-Room* designed by Sir Robert Taylor, is a very superb apartment, of the Composite order, 61 feet long, and  $31\frac{1}{2}$  feet wide. The *Committee-Room* which opens from it, is an elegant octagonal chamber, in which is a half-length of William III, in armour. In the *Ante-Room* are portraits of two chief cashiers, namely, the late Abraham Newland, Esq., and Mr. David Race. The adjoining *Waiting-Room* contains excellent busts, in statuary marble, of those eminent rival statesmen, Fox and Pitt, by Nollekens.

"The *Rotunda* was rebuilt, in 1795, by Mr. Soane; it measures 57 feet in diameter, and is about the same in height to the lower part of the lantern. Here, the general preparatory business for the buying and sale of stock is transacted; and the various offices appropriated to the management of each particular stock, branch out from it, and from its *Vestibule*, which opens into St. Bartholomew Lane.

"The *Vestibule*, or new *Entrance Hall*, in Prince's Street, (which has not yet been opened to the public), is designed in a very singular style; and from the massiveness of the columns, which are of the Doric order, without bases, and posited on three different planes, in imitation of the Propylæa, at Athens, it assumes the impressive and solemn character of a mausoleum: in the centre is a small dome, classically ornamented."

Since Sir John Soane's time, Professor Cockerell, who became the Bank architect in 1833, has made a few improvements, but until our day, the Bank as it was known, was the creation of one man, Sir John Soane.

Among the innumerable interesting links with the past is that afforded by St. Christopher's Church. For fifty

## THE OLD LADY LOOKS BACKWARDS

years after the Bank of England was built, it had the Church of St. Christopher's Stocks at the corner of Princes Street and Threadneedle Street, as its neighbour. This neighbourliness proved a serious menace at the time of the Gordon Riots in 1780, and had the insurgents seized the Church and manned its tower they would have secured an excellent vantage ground from which to attack the Bank. After the suppression of the riot, attention was given to this danger spot, and it was felt that it was too alarming to leave the Bank of England thus exposed. The Church therefore, was pulled down, and the site used for extending the Bank's premises.

One part was retained, and has remained until the present day, a charming reminder of the days of long ago.\* This is the delightful garden of the Bank of England which was the old churchyard of St. Christopher's dating back most certainly to the thirteenth century, and in all probability even further back in history. From time to time, according to the additions made to the Bank, the shape of the garden has been altered, but, except for the fringes, it has never been built over until the present day. During a period of excavations, about eighty years after the churchyard had been annexed to the Bank, ten tons of bones and coffins, a gruesome heritage, were removed from the ground and reinterred in vaults that the Bank had specially purchased for the purpose in Nunhead Cemetery. Instead of two lime trees, one only exists now. The historic lime tree, a relic of the past, will probably disappear in the reconstruction of the Bank to the regret of many, for the tree has been regarded with much tender

\*At the time of writing the Bank Garden still exists but will, unfortunately, disappear in the process of reconstruction.

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ness and affection by the Bank staff, some of whom made it the subject of lyric and song.

The garden with its air of repose after the bustle of the City, with its wealth of flowers, carefully tended by gardeners who have had an anxious time fighting the City's soot, provides a picture as charming and refreshing as it is unexpected, nestling as it does in the heart of the busiest building in the centre of one of the busiest capitals in the world.

Another link with the past is the beautiful bronze figure of St. Christopher, as a triumphant youth with the Child on his shoulder. It is the memorial unveiled in 1921 in the Bank garden to commemorate the members of the staff of the Bank of England who had fallen in the Great War. The sculptor has taken, as his conception of St. Christopher, the saint when he has crossed the stream with the smile of Victory on his face and the eagerness of achievement depicted on his parted lips. With the name, with the conception, with the old-world garden which contains the very dust of history, in no finer way could the past, the present and the future be so closely bound together.

## CHAPTER X

DIVERS BANK WORTHIES AND KINDRED SOULS



## CHAPTER X

### DIVERS BANK WORTHIES AND KINDRED SOULS

IN a category by himself, among those of whom the Old Lady of Threadneedle Street might justly be proud, stands Abraham Newland, the Bank's Chief Cashier, whose name for twenty-nine years was at the foot of every bank-note. He was the epitome of everything that was dependable and upright, and for a generation his name was synonymous with the stability and prosperity of the Bank of England. So great was his renown that he earned what few men earn, recognition in his life-time, becoming the theme of one of Charles Dibdin's famous songs. It ran:

*"Never was man so bandied by Fame  
Thro' air, thro' ocean and thro' land  
As one that is wrote upon every Bank Note  
And you all must know Abraham Newland.*

*O Abraham Newland!  
Notorious Abraham Newland  
I've heard people say sham Abraham you may  
But you mustn't sham Abraham Newland.*

*For fashions of art should you seek foreign parts  
It matters not wherever you land  
Hebrew, Christian or Greek, the same language they speak  
The language of Abraham Newland.*

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O Abraham Newland!

Astonishing Abraham Newland

Whatever you lack, you'll get in a crack  
By the credit of Abraham Newland

But what do you think, without victuals or drink  
You may tramp like the wand'ring Jew land,  
From Dublin to Dover, nay, all the world over,  
If a stranger to Abraham Newland.

O Abraham Newland!

Wonderful Abraham Newland,

Tho' with compliments crammed, you may die and be  
damned

If you haven't an Abraham Newland.

The world are inclined to think justice is blind  
Yet Lawyers know well she can view land  
But what of all that—she'll stick like a bat  
At the sign of a friend, Abraham Newland.

O Abraham Newland!

Magical Abraham Newland

Tho' Justice 'tis known, can see thro' a millstone,  
She can't see thro' Abraham Newland.

Your Patriots who bawl for the good of us all  
And, good souls, like mushrooms, they strew land,  
But tho' loud as a drum, each proves Orator Mum,  
If attack'd by stout Abraham Newland.

O Abraham Newland!

Invincible Abraham Newland

No arguments found, in the world half so sound,  
As the logic of Abraham Newland!

DIVERS BANK WORTHIES AND KINDRED SOULS

*The French say they're coming, but surely they're humming  
We know what they want, if they do land  
But we'll make their ears sing in defence of our King  
Our country and Abraham Newland!*

*O Abraham Newland!  
Excellent Abraham Newland  
No tricoloured self, nor the devil himself  
Shall rob us of Abraham Newland."*

The hero of this panegyric with which so much stout patriotic feeling is identified, was a mild and modest member of the Bank staff. Admiring and awe-inspired Boswells having unearthed all his particulars, we now know that his parentage was obscure, his father probably having been a baker, and that Abraham was one of twenty-five children, his father having married twice. We are told, too, that early in life he showed laudable signs of great ability in that "he wrote a fair and legible hand, and he possessed great expertness in the application of the rules of arithmetic. In consequence of these acquisitions and his orderly and industrious habits, we have no doubt that he was abundantly serviceable to his father in his business, with whom he continued until he was eighteen years old".

The foundations of a good life having been so duly laid, he left home in 1748 to become a junior clerk in the Bank of England, and with the Old Lady of Threadneedle Street he remained for the duration of his long life. As a young man he was in his spare time organist at Southwark Cathedral, being passionately devoted to music and finding therein his only distraction. Later in life, his disposition, which had been cheerful, changed, and bank



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business apparently absorbing all his faculties, he forsook his organ, and according to his sententious biographer, very nearly threw himself into a life of "dissipation", frequenting playhouses, opera, public concerts, and running the circle of pleasure. He recovered in time to get back the staidness, dignity and austerity befitting the Abraham Newland of the days of his fame. Owing to his ability and loyalty he steadily got promotion in the Bank until in the year 1778 he was appointed Chief Cashier with a liberal salary. This position he held until he retired twenty-nine years later, and during that period he lived on the Bank premises, in a suite of rooms provided for him and never once did he sleep out of the building. His period of service coincided with the time when the country passed through a number of crises, particularly that connected with the war with revolutionary France, and Newland, having been so long a loyal and efficient servant of the Bank of England, was regarded by the Directors of the Bank and by the Government of the day as one of the best-informed and most reliable persons to whom to turn during a difficulty. One of his admirers goes so far as to say that his importance was greatly in excess of the Directors of the time, hastening to add that no disrespect was meant, but that whereas the Board was a fluctuating body, whose assistance to the Bank was sporadic and transitory, Newland was a permanent institution for half a century.

After the climax of 1797, when the Bank had to suspend cash payments, Newland was called as one of the chief witnesses before Pitt's Committee of Inquiry. Through his experience Newland was able to give a full account of how business was conducted between the Bank of England

and the National Exchequer, in all its details. His evidence, combined with that of others, being sufficient to allay all fears with regard to the safety of the Bank, the Committee was able to report favourably, the period of panic was tided over, and confidence in the Bank of England was restored.

Newland took full advantage of the opportunities his position allowed (for in those days there were privileges and possibilities that would not now be permitted,) to acquire a fortune through speculating in the issue of government loans. Such speculation was accepted as a matter of course by the higher officials of the Bank of England, a proportion of the total issue always being reserved for them. In his speculation he was successfully aided by the two brothers Goldsmid, the bill-brokers, who became one of the most prosperous firms during the Napoleonic wars, and then suddenly collapsed under tragic circumstances.

Newland's habits during his later days at least, were those conducive to the accumulation of money. He has been called thrifty, others have used the word parsimonious. He never spent money unnecessarily, and every night, in spite of the fact that his mode of living was the simplest possible, he carefully balanced his daily house-keeping accounts. A few poor relations he supported by annuities and to one distant cousin who hawked fruit about the streets he gave a weekly donation of two guineas. At nine-fifteen every morning he appeared at his desk and was never absent from duty until 3 p.m. His only hobby was argument and his only relaxation a daily ride on the Islington stage coach to Highbury, then a pleasant hamlet, where he would drink tea at a small

cottage. He was, we are told, "polite in his manner and genteel in his person."

He was at the height of this uneventful though important career when there came the shock of Robert Astlett's trial. Astlett was Newland's nephew and as the latter had not married, Astlett had come to be regarded as his uncle's adopted son. He had been made assistant to Newland in the Bank in 1793 and when a few years later Newland's health had become enfeebled Astlett had been made cashier. News of Astlett's frauds in 1803 came as an overwhelming blow to the old man, and though he continued in the Bank's service until September, 1807, he never really recovered from the shock that he had then received. On his retirement to Highbury Place and the care of his housekeeper, Mrs. Corthwaite, he refused the pension which was his due, but accepted the offer of a present of plate which he did not live to receive, dying on November 21st, 1807. His fortune exceeded £200,000 in stock and £1,000 a year from real estate, and to his housekeeper who had tended him for twelve years, he left the income arising from £60,000 of stock, £5,000 in cash, his carriage, furniture and establishment. City merchants and colleagues on 'Change and in the Bank sincerely regretted his death, and there was a general suspension of business when his funeral carriages passed through the City. But he was a lonely and not a happy man, and his epitaph, said to have been his own composition, is a melancholy commentary on his life:

*"Beneath this stone old Abraham lies,  
Nobody laughs and nobody cries,  
Where he's gone and how he fares—  
No one knows and no one cares."*

#### DIVERS BANK WORTHIES AND KINDRED SOULS

His portrait is preserved along with those of other worthies, on the walls of the institution to which he devoted the whole of his life.

Apart from Abraham Newland there are unfortunately few records of great interest available of those who laboured in the service of the Old Lady of Threadneedle Street, the records for the most part confining themselves to a list of names, dates and positions held. The whole system of the Bank of England was built up on the quiet, painstaking and non-spectacular service of every member of the institution from Governor to Bank clerk, and though the result is one of which the country can justly be proud there are few individuals until we have Mr. Montagu Norman in our own day who stand out with dramatic force from the sameness of background.

A few details however have of late years been gathered together. There was, for example, Thomas Rippon, who joined the staff of the Bank of England about the year 1782 and remained in its service until his death in 1835, having been appointed Chief Cashier in his seventieth year. He was apparently only happy when at his work, and asked for but one holiday during his years of service. When that was granted for a fortnight he departed, but returned, bored, to his duties within three days, the Old Lady apparently having more charms for him than the seaside resorts or the countryside. On his death the obituary notice which appeared in the *Gentleman's Magazine* summed up his exemplary qualities with: "Mr. Rippon was always remarkable for his sound judgment, preciseness and extreme punctuality, and his long services and habits of economy enabled him to leave behind a fortune of £60,000". Another worthy, John

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Holloway, who worked in the Bank of England from 1781-1820, seems to have had no history beyond the fact that he married twice, had fifteen children, was amiable and did a little lecturing on Animal Magnetism. He impressed at least one contemporary who wrote of him: "His principles were those of a Christian, but his mind was not narrowed by peculiar notions."

Then there was Thomas Gardner, whose one achievement in life, judging from his tombstone, was to become a clerk in the Bank of England, for his epitaph runs:

TOM. CHAS. GARDNER  
LATE CLERK IN THE BANK OF ENGLAND  
(Liverpool Branch)  
ON THE 25 MAY, 1815  
*In the County of Surrey his first breath  
he drew;  
In Bucks lived a child simple-hearted;  
In Middlesex gained what bearing he knew  
In Flintshire this life he departed  
8th April 1842.*

In past generations, bankers were regarded as being fit only for their business. A banker interested in the arts would have been looked at askance and with suspicion, the assumption being that only a defective business instinct could account for such extraneous interests. The story is often told of how news was brought Lord Chief Justice Ellenborough of a young banker named Rogers who had published a poem on *The Pleasures of Memory*. The Lord Chief Justice considered this a serious reflection on the young man's banking capacities and exclaimed: "If

Old Gozzy" (the head of the firm with which he was banking) "ever so much as says a good thing, let alone writing, I will close my account with him the next morning."

At the best, the servant of the Bank of England in the eighteenth and nineteenth centuries was very much of the type of Abraham Newland, or "Our Mr. Dormer" with whom the present generation is familiar through the sympathetic portrayal of Mr. Mottram, while at the worst he might have been a glum, reticent figure, caricatured by Dickens in his immortal Mr. Nicodemus Dumps. "Mr. Nicodemus Dumps," he writes, "or, as his acquaintances called him, 'Long Dumps'—was a bachelor, six feet high, and fifty years old; cross, cadaverous, odd and ill-natured. He was never happy but when he was miserable; and always miserable when he had the best reason to be happy. . . . He was afflicted with a situation in the Bank worth five hundred a year; and he rented a 'first floor furnished' at Pentonville, which he originally took because it commanded a dismal prospect of an adjacent churchyard."

It must be remembered however that Dickens produces a far happier picture in the famous visit of the Wellers in *Pickwick Papers*, to the Bank of England, and for the sake of the Dickens' lovers it may be pardonable to quote a short extract. The Wellers, it will be recollected, have been to realise the will of the lately-departed Mrs. Weller, and their remarks on consols, the various monetary transactions and the diet of the staff, are particularly entertaining. Samuel Weller and his father Tony, accompanied by Flasher, Pell and three friends have just arrived at the building.

"Crossing a courtyard which was all noise and bustle," Dickens writes, "and passing a couple of porters who seemed dressed to match the red fire engine which was wheeled away into a corner, they passed into an office where their business was to be transacted, and where Pell and Mr. Flasher left them standing for a few moments while they went upstairs into the Will Office.

"Wot place is this here?" whispered the mottled-faced gentleman to the elder Mr. Weller.

"Counsel's Office," replied the executor in a whisper.

"Wot are them gen'l'men a settin' behind the counters?" asked the hoarse coachman.

"Reduced counsels, I s'pose," replied Mr. Weller. "Ain't they the reduced counsels, Samivel?"

"Wy, you don't suppose the reduced counsels is alive, do you?" inquired Sam, with some disdain.

"How should I know?" retorted Mr. Weller; "I thought they looked very like it. Wot are they, then?"

"Clerks," replied Sam.

"Wot are they all a eatin' ham sangwidges for?" inquired his father.

"Cos it's in their dooty, I suppose," replied Sam, "it's a part o' the system; they're always a doin' it here, all day long!"

They then proceeded to a counter which had a large letter W above it.

"The referees," to continue, "at once gave it as their decided opinion that the business could not be legally proceeded with, under the letter W, and in all probability it would have stood over for one day at least, had it not been for the prompt, though at first undutiful, behaviour of Sam, who seizing his father by the skirt of the coat,

dragged him to the counter, and pinned him there, until he had affixed his signature to a couple of instruments; which from Mr. Weller's habit of printing, was a work of so much labour and time, that the officiating clerk peeled and ate three Ripstone pippins while it was performing."

For those readers especially interested in investigating the manners and habits of Bank of England clerks, it may be mentioned that Charles Dickens was born in 1812, that his father and family took up their abode in London when Charles was a youngster, that he knew London as no Londoner has ever known it since, and that he wrote the *Pickwick Papers* in 1836.

Nor has Charles Dickens been the only one to link up the Old Lady of Threadneedle Street with the Muse of Literature. Evelyn and Pepys as already mentioned had frequent allusions to the Bank of England and its promoters, and hidden in the recess of novels and *belles lettres*, there are innumerable references to the Old Lady. One of the most celebrated references is that of Addison, the essayist, who in his third Spectator Essay, quoted later, gives in a graphic allegory an interesting picture of the Bank.

Nearer our time and perhaps of greater interest to the present generation is the association of the Brownings with the Bank of England, for Robert Browning's father, and his grandfather, were actually in the Bank's service. Both grandfather and father were also Robert Brownings. The grandfather entered the Bank of England in 1769 through the influence of Lord Shaftesbury. Proving himself very efficient he rose to the important position of Principal of the Bank Stock Office and retired after fifty years service. His son Robert differed very much from him in aims and



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outlook. He had a personality of great charm, linked with a scholar's temperament, was very sensitive and entirely lacking in worldly ambition. He knew Greek, Latin, French, Spanish, Italian and Hebrew, and was a great student of history. As a youth he had been given the opportunity of making good on a sugar plantation in St. Kitts, but he was so filled with abhorrence at the existence of slavery that was prevalent there, that he abandoned his work and his prospects and returned to England. Arrived home he explained to an infuriated father that he wished to devote himself to art. His father (the banker) had never heard such nonsense before and threatened to turn the boy out of house and home, but finally secured for him instead an appointment in the Bank of England with an intimation that that was all he was prepared to do for such a refractory son. The young Robert Browning took the position, and, to quote his own words "consumed his life after a fashion he always detested". In spite of his uncomplimentary attitude, he was conscientious so far as duties were concerned and was proud of the fact that he was late only once. By temperament he was an artist, and the environment which to him was irksome, brought out in him a talent he might not otherwise have developed, that of the caricaturist in pen and ink. In his free moments, which apparently were many, he would make amusing sketches; (there are about two hundred and fifty of them, probably many on Bank of England paper), and extemporise witty verse. His subjects were varied, including the political topics of Women Suffrage and Parliamentary Reform Bills; others were merciless cartoons of incidents and characters, frequently connected with visitors to the Bank. One sketch is an

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outline of a donkey, Neddy, supposed to represent a work-shy fellow clerk. Under the sketch runs "C.s. . . . 's Complaint".

*"I can't think what's come to my Neddy to-day,  
I've held up a stick, and I've shown him some hay!  
Last week I could get him to draw so and so,  
This week he's turned sulky and Neddy won't go.  
I'm much used to Neddys and next when I find  
An ass that won't labour but when he's inclined,  
But tho' their exertions at best are but small,  
I can't bear a Neddy that won't work at all.  
Well, I've T. . . . .r, D. . . . .ll and a third  
out at grass"\**

Just here the lines stop abruptly, probably because the writer was called away to attend his duties, and the inference is that he never troubled either to finish the attempt or to improve upon it. A disinclination for work was a favourite subject. A doctor (caricatured) diagnosing a case, remarks: "Yes, Sir, I see the nature of your complaint; it's a confirmed fit of idleness and if you don't take care it will grow upon you. All I would recommend at present is Rest and Suspension from Business. Be sure you drink plenty of gin and as the Races are going on you will find Epsom air extremely beneficial." Brown- ing, who spent most of his time in the Consols Office, was called upon as one of the witnesses in the famous Fauntleroy case. In 1835, he got his "suspension from business" and retired to Paris, where, in a small street off the Champs Elyseés, he lived a life after his own heart with his daughter Sarianna, and died there in June 1866. Apparently at some time it was suggested that he should

\*Quoted in *The Old Lady of Threadneedle Street.*

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place his son Robert (afterwards the poet) into a position in the Bank of England but he turned the suggestion aside as being unsuitable in view of his son's temperament.

Gradually the custom was growing up of having generations of the same family in the Bank of England, and this was encouraged by the decision of a Court of Directors in 1799 which recommended the reservation of a certain number of vacancies, not more than a sixth, for the sons of clerks who had had at least fifteen years of service in the Bank. The recommendation was gratefully received by the Staff of the Bank and there is now one notable case of a family of the name of Bower which has been in the Bank's services for five generations, George Bower having entered the Bank of England in 1787. He became Principal of the Power of Attorney Office in 1830 when he was nearly seventy years of age. There is at the present time one of his descendants in the Bank of England, and it has been estimated that altogether the Bowers have been connected with the Old Lady of Threadneedle Street for a hundred and forty years, and have, between them, rendered two hundred and seventy one years of service.

In this chapter mention might be made of the two Cockerells, John Cockerell who was a Bank of England Director from 1821 to 1837 and Charles Robert Cockerell, who was the Bank of England Architect from 1833, 1855, one of their claims to notice arising from the fact that they form a literary link with the past, being descendants of Paulina, the gay, irresponsible sister of Pepys the diarist.

Quite apart, but not less worthy, is the honest workman, whose name is not known, but who deserves more than ordinary credit. His is a story of a century ago. The

#### DIVERS BANK WORTHIES AND KINDRED SOULS

Directors of the Bank of England received one morning an anonymous letter with the astounding statement that the writer of the letter had access to the Bank's Bullion Room. The letter was regarded as a hoax and no notice was taken of it. Another letter was then received, repeating the information stated in the first letter, but in more emphatic terms. Again the communication was ignored. Then a third letter arrived in which the writer made a suggestion. He said that in order to prove the veracity of his remarks, he was willing to meet the Directors in the Bullion Room itself at any hour they would be pleased to specify. A means of communication with the writer being indicated in the letter, the Board began to feel disposed to investigate the matter. Consequently a meeting was arranged to take place at midnight. Just before the appointed time a number of Directors equipped with lanterns and safeguards, locked themselves into the Bullion Room and awaited events. On the stroke of twelve, a noise was heard, boards were seen to be lifted from the flooring, and after a few seconds a man appeared through the space thus made and faced the astonished Directors. It was obvious then that the story was a true one. The explanation was simple. The man was a workman who had been employed on repairing sewers. By accident he had happened on an old drain which ran under the Bullion Room, and had found to his own surprise that entry into the room was the simplest thing possible. He therefore took the most direct and laudable action of communicating with the Directors themselves, and persisting in spite of their reluctance, in convincing them. On examination it was found that nothing had been extracted from the room, and the workman was awarded a present of £800.

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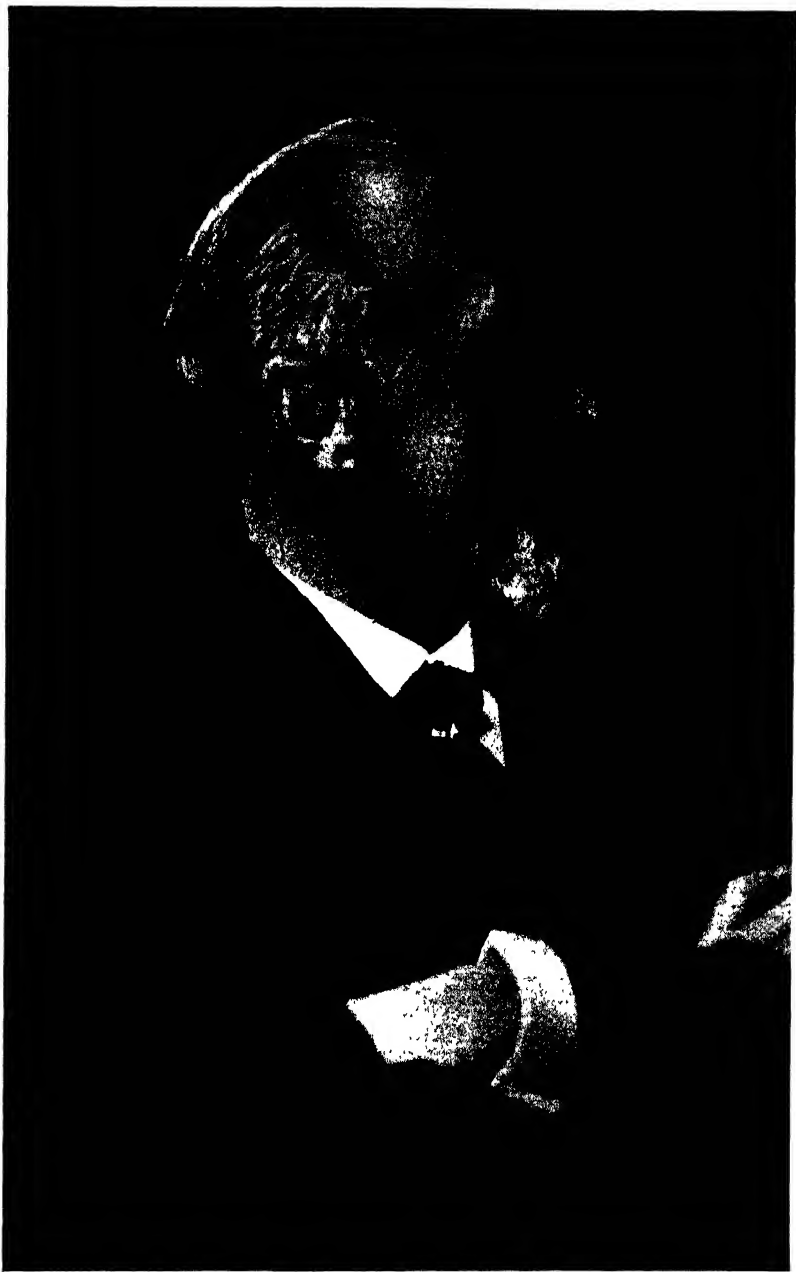
In our own generation it is around Mr. Montagu Norman, the present Governor of the Bank of England, that considerable interest has been centred.

Mr. Montagu Collet Norman, who was born in 1871, is descended on both sides of his family from famous banking personalities. His grandfather, Mr. G. W. Norman, was a Director of the Bank of England for more than fifty years, while his mother's father, Sir Mark Collet, held a similar post for twenty-three years, and was Governor for two years.

The present Governor, after passing through Eton and King's College Oxford, combined soldiering with banking, serving with the Queen's forces in South Africa. In the army his innate brilliance was soon recognised, and when he returned home it was with the D.S.O. and the Queen's medal. A military career seemed to be indicated, but contrary to expectations and placing his military reputation and a marshal's baton in his knapsack, he sent in his papers and resigned the sword for the counting house. Such a change, inexplicable as it seemed at the time, was destined to be the turning point of Mr. Norman's life.

The success which had opened its arms to him in the army soon reasserted itself in the offices of Messrs. Brown Shipley and Company, the well-known Anglo-American Bankers and Merchants, and before many years had passed, a partnership was his. The junior partner, however, did not confine his activities to this country, and much of his time was spent in studying the working of his firm's associated American undertakings. The experience was to stand him in good stead in the years to come.

Mr. Norman became a director of the Bank in 1918,



THE RT. HON. MONTAGU COLLET NORMAN, D.S.O.

GOVERNOR OF THE BANK OF ENGLAND



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and to such good purpose did he apply himself to his task that he was elected Deputy-Governor at a time when very grave difficulties had to be faced. His appointment to the Governorship two years later coincided with the difficult period of debt reorganisation, and since that time Mr. Montagu Norman has held the reins of control. He was not afraid of the task ahead of him, which included the return to the modified gold standard in 1925 and the departure from the gold standard in 1931. Without his courageous leadership it is impossible to say what might have happened to the Bank after the war.

It might have been that to-day Mr. Montagu Norman, instead of occupying the ruling seat in the spacious bank parlour in Threadneedle Street, would have been a distinguished soldier, now retired, peacefully sipping his sherry in the luxuriously padded arm-chair of some famous London club. It is providential that such is not the case. We have always been able to produce capable commanders on the battlefield, but of active bankers with the courage, foresight and democratic sympathies of the kind Mr. Montagu Norman possesses, Britain is not so prolific.

To all outward seeming an aristocrat to his finger tips, Mr. Norman has, however, a real understanding of the troubles of the worker, and it was that understanding which prompted him to place Mr. Frank Hodges on the Board of Directors of the Lancashire Cotton Corporation.

With the reputation of a brilliant business man and a shrewd banker, the Governor of the Bank of England combines the appearance of an artist. For that matter, the æstheticism of his sensitive face with its deep set eyes and his iron-grey imperial would lead people to imagine him



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a poet or a musician far sooner than a famous financier. A more striking and distinguished figure never represented England in any foreign capital, and his appearance is so well-known that the incognito which the Governor of the Bank of England usually assumes, is no longer fallible. His has been the hand at the financial helm during the last ten critical years, and only when "present politics have become past history" will it be possible for us to know and fully appreciate the courageous and high-spirited principles which have distinguished Mr. Norman's Governorship throughout and made him so momentous a figure in the world of International finance.

## CHAPTER XI

IN AND ABOUT OLD LOTHBURY COURTYARD



## CHAPTER XI

### IN AND ABOUT OLD LOTHBURY COURTYARD

IN Aggas map of old London, one of the earliest view maps, dating from about 1578, there is no building of any note on the site of the Bank of England.

In the old plan of the Cornhill Ward dated 1755 (reproduced in William Maitland's *History of London*) the Bank can be seen as quite a modest building at that time, taking very little more ground space than the Crown Tavern which adjoins it. This is not the first Crown Tavern mentioned by Pepys for that had been utterly destroyed in the Great Fire of London of 1666.

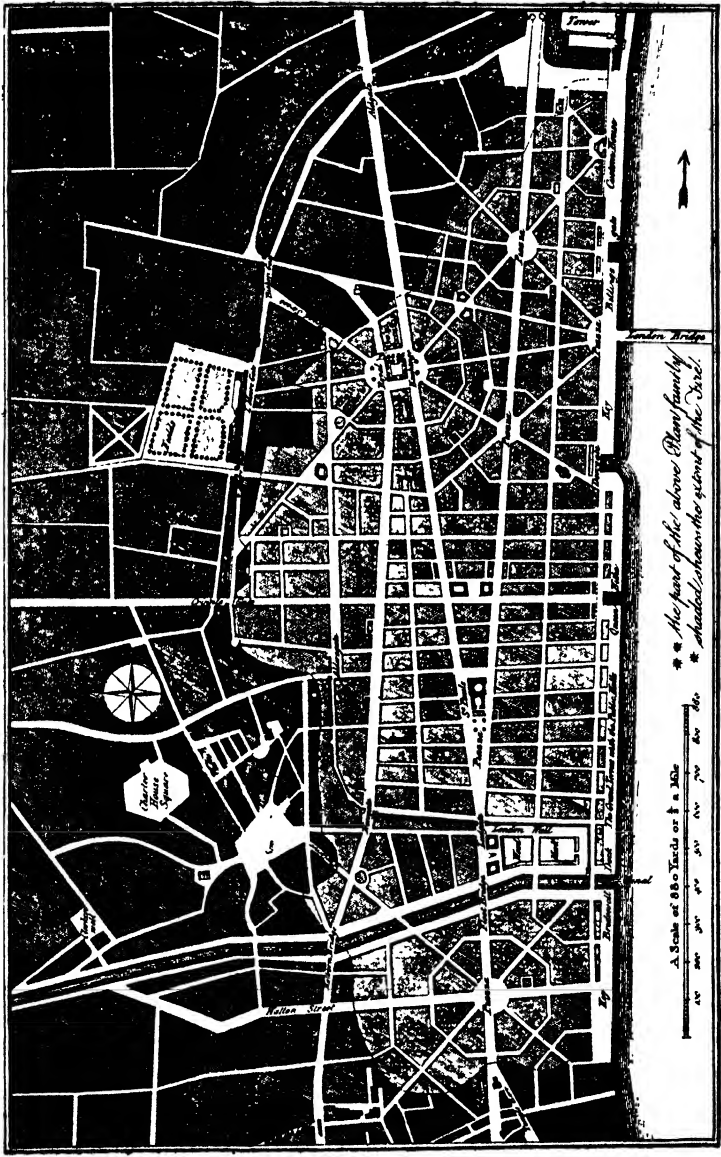
The "Crown" stood on the site where the chief entrance to the Bank in Threadneedle Street now stands. Apparently, it was a popular site for taverns, for Sir John Hawkins, speaking of the city taverns in 1750, observes "in that space, near the Royal Exchange and Threadneedle Street, the number of taverns was not so few as twenty; on the site of the Bank there stood four; and at one of them, the Crown, it was not unusual to draw a butt of mountain, containing one hundred and twenty gallons, in gills, in a morning." The early Bank of England therefore stood in convivial surroundings very different from its austere environment at the present day and the harassed Bank employee had not far to go for the equivalent of his eleven o'clock cup of coffee.

## THE ROMANCE OF THE BANK OF ENGLAND

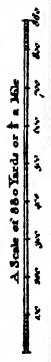
In the same plan of the Cornhill Ward the Church of St. Christopher's, le Stocks has a tortuous alley running beside it from Threadneedle Street to Prince Court and Lothbury. This Church was demolished to make room for an extension of the Bank in 1782. The seventeenth century reredos from St. Christopher's now stands in the Church of Great Burstead, Essex, and another relic, a bronze monumental bust of a knight inscribed "PETRUS LE MAIRE AEQUES AURATUS. AE. SVAE 88, 1631", has found its way to the Church of St. Margaret, Lothbury. Stow, speaking of St. Christopher's says: "Towards the Stokes Market is the parish church of St. Christopher, but re-edified of new; for Richard Shore, one of the sheriffes, 1506, gave money towards the building of the steeple." Many of the Houblon family, which gave the Bank three of its original Directors, were buried in this Church.

In the last decade of the eighteenth century, the whole island site bounded by Prince's Street, Lothbury, Bartholomew Lane and Threadneedle Street came into possession of the Directors of the Bank for rebuilding, and extending their premises. It was at this period that Three Nun Court and the Old Prince's Street were swept away. Prince's Street was shaped like a boomerang and emerged into Lothbury near Tokenhouse Yard, but during the rebuilding of the Bank it was straightened to meet Moorgate Street at the corner which is now occupied by the banking house of Brown, Shipley and Co.

The print facing page 50 which clearly shows St. Christopher's Church, The Bank, and St. Bartholomew's Church dates from 1734, and illustrates the first extension of Taylor the architect. Next to St. Christopher's Church is George Sampson's original front built in 1724. The tower of St.



A Scale of 800 Yards or 1/2 a Mile



\* \* The part of the above Blount family  
 \* \* shaded shows the part of the Earl.

*St. Christopher Wren's Plan for Rebuilding the City of London after the Great Fire of 1666.*

Bartholomew's Church at the extreme right was removed in 1841 when it was necessary to widen St. Bartholomew's Lane. Miles Coverdale, Bishop of Exeter, famous as the earliest English translator of the Bible, was buried in this Church, and when the building was taken down his remains were removed to the Church of St. Magnus, London Bridge. The site of St. Bartholomew's Church is now occupied by the Sun Insurance Office as a tablet in the wall testifies.

Perhaps the most interesting of all illustrations is that of Sir Christopher Wren's plan shown overleaf, for rebuilding the City after the Great Fire of 1666. We are in the neighbourhood of the present Bank and looking at the familiar district around the Mansion House. St. Paul's is here, and Aldgate, joined by a direct highway very much as it runs to-day. Wren suggested building a roadway sixty feet wide, from Temple Bar to Aldgate. He proposed to make the Royal Exchange the hub of London from whence the streets should radiate to London Bridge, Aldgate, Charing Cross, Bishopsgate and the Tower like spokes in a wheel. The Exchange was to stand free, in the middle of a great piazza, and was to have double porticoes, as the Forum of Rome had. But what is more significant he provided a site for a National Bank, (undoubtedly by that time the need for a Bank must have been the talk of the day). The goldsmiths were to have "pride of place" in Wren's scheme, and the Bank, Mint and Insurance were to occupy positions where the Mansion House now stands. Evelyn wished the Royal Exchange to be at Queen Hithe, (in Upper Thames Street), to be convenient for the water-side and foreign merchants, but eventually

## IN AND ABOUT OLD LOTHBURY COURTYARD

both his and Wren's plan fell through, and Jerman, one of the City surveyors, undertook the plans for a new Exchange. One regrets that Wren did not build our National Bank; but he died in 1723, before the first Bank of England was erected, leaving his greatest monument the Cathedral Church of St. Paul, with its noble amethyst cupola to preside over the City.

The Lothbury Courtyard on the north side of the Bank of England was demolished in 1929, and in the latter months of that year a deep and yawning pit for the foundations of the New Bank was sunk below its site. The Lothbury wall remains, but the two heavy iron studded gates have been "scrapped" to make way for something more elaborate. The Lothbury Courtyard gate could tell some tales if powers of speech could be granted to stocks and stones. A memorable gossip it could be for numbers of bank forgers have passed in and out of that gate in charge of police officers. It was the custom to bring such culprits through the Lothbury gate when they were taken to the Bank to answer questions in regard to forged notes, and to these miscreants the Lothbury gate had a sinister significance.

The inner gateway of the Lothbury Courtyard figures in a well-known picture entitled, "Reduced Three Per Cents", which was exhibited at the Royal Academy in 1877. The subject has a little history of its own. The painting by P. H. Calderon, R.A., shows two figures, possibly a father and daughter, anxiously asking the Gate Porter questions about "reduced three per cents". This term was used in connexion with a certain issue of Government Annuities which yielded interest at 4%; but was subsequently reduced to 3%. As can be seen in the



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picture the blow has been heavy to the feeble old man and he makes a pathetic figure as he stands before the haughty beadle in scarlet and gold. A writer in the official organ of the Bank of England points out that the Gate Porter is wearing his cocked hat with the points at the front and back, instead of at the sides as it is worn at the present day. The Gate Porter stands by the ponderous iron gates which open on to the Bullion Yard. The gates are open in the painting, but not so many years ago they were invariably closed with only a small wicket left in the compass of the larger one for ordinary traffic. The opening of the large gates was a part of the Bank of England ritual reserved for the Governor and Directors, and on the approach of one of the Bank officials the door porter would swing open the gates with a great deal of ceremony. Clerks of the London Banks were familiar with this gate as a short cut from Lothbury to Threadneedle Street. It was an adventurous passage through many of the Bank corridors, and as it was prohibited as a thoroughfare the use of it especially appealed to enterprising youngsters.

The Court which formerly led into Lothbury was thus described at the opening of this wing: "The court presents a magnificent display of Greek and Roman architecture. The buildings on the east and west sides are nearly hidden by open screens of stone, consisting of a lofty entablature, surmounted by vases, and resting on columns of the Corinthian order, the bases of which rest on a double flight of steps. This part of the edifice, which was copied from the beautiful temple of the triumphal arch of Constantine, at Rome, forms the entrance into the bullion yard."

## IN AND ABOUT OLD LOTHBURY COURTYARD

The Lothbury Courtyard was certainly one of the most secluded spots in the City and the pedestrian turning out of the public way felt, to use one of Charles Dickens' modes of expression, as if he had put cotton in his ears and velvet on the soles of his boots. Many will regret that London has at last swept with its tide of aggressive architecture over this little island of quiet. Here it was pleasant to linger for a few moments to watch the bank porters packing gold coins in small wooden chests or pushing about trucks loaded with gold bars. The porters in the Bullion Yard wore picturesque birettas made of black velvet which were well suited to the scene as they handled the dusky yellow ingots and caused them to ring with that soft clink which no other metal but gold ever produces.

The illustration, (facing page 275), of the arrival of Californian Gold and Mexican Dollars at the Bank in 1847 gives an exterior view of the Lothbury entrance, but the artist has not done justice to the elaborate iron lattice and brazen lion's head bosses which formerly embellished this gate.

The name Lothbury provokes question as to the past. Stow says: "The street of Lothberie, Lathberie or Loadberie (for by all these names have I read it) took the name as it seemeth of *berie*, or *court*, of old time there kept, but by whom is grown out of memory. This street is possessed for the most part by founders, that cast candlesticks, chafing dishes, spice mortars, and such like copper or laton works, and do afterwards turn them with the foot and not with the wheel, to make them smooth and bright with turning and scrating, (as some do term it), making a loathsome noise to the by-passers that have not been used to the like, and therefore by them disdainfully called

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Lothberie." Hatton, in 1708, wrote: "Lothbury was in Stow's time much inhabited by Founders, but now by Merchants and Warehousekeepers, though it is not without such like trades as he mentions."

Stow's attempt to derive the name from a loathsome noise seems rather fatuous; there is, however, something in the air of Lothbury which stimulates research among philologists and encourages them to delve deeply. One writer contends that Lothbury, like Ludgate, may be derived from the name Lode, which means a dyke or cut which runs into a larger stream, supporting this theory by the fact that Lothbury is built over the Wall Brook, and Ludgate is built over the Fleet River. We know that the Bank was built on piles, as part of the site was the bed of the Wall Brook (now spelt Walbrook). Others say that Lothbury was the Manor or Bury (from burh=a fortified place) of Albertus Loteringus, a Canon of St. Paul's and a well-known figure at the time of the Norman Conquest. It is also said that the name may be a corruption of Lattenbury, the place where founders cast candlesticks or other copper or laton work. As Founders' Hall (Founders' Court) stood here already in 1532, this tends to make the last claim quite a reasonable one.

Quite near Lothbury is the district known as Austin Friars which is also closely linked up with Bank of England associations. Remarkable in the early history of the Bank is the close connexion with foreigners. The trading and banking interests had been fostered by the Jews and the Lombards in the Middle Ages. Later, it was the example of Italian and particularly Dutch financial enterprise that encouraged the English to establish their own bank, and in deference to the wider knowledge and

experience of foreign financiers, the Bank of England in its early days hastened to ask for their help and co-operation.

The Houblons we have already noticed in this rôle of guardian, but it was not only the Houblons who played a significant part in the Bank's history, but the Dutch colony as a whole. Many of the Dutch refugees had settled down in Austin Friars, a region near the Bank of England and the home of many of the foreign traders and merchants. The refugees soon became distinguished by their peacefulness, industry and ability. Their commercial undertakings were almost invariably successful; they became wealthy and influential, remained devoted to one another and steadfastly loyal to the land of their adoption.

Partly due to their universally recognised skill in financial affairs, partly due to the Houblon connexion, many of the original Directors of the Bank of England were Flemish merchants or descendants of Flemings. Early in the eighteenth century, one, John Olmuis was made Deputy Governor of the Bank. He is typical of the industrious successful Flemish merchant, wealthy, entrusted with positions of responsibility and closely connected with the City of London.

Olmuis was descended from an ancient family of Arlon, in the Duchy of Luxembourg, who had emigrated to London. His earliest known place of residence, according to the Little London Directory of 1677, was Angel Alley, Bishopsgate Street Without, a thoroughfare that is but a stone's throw from the site in which the Bank was erected. Later, he acquired four houses in Austin Friars, "with yards, gardens and appurtenances," a shop called "The Crane" in Poultry, and another with the sign of the Plough in Bucklesbury.

## THE ROMANCE OF THE BANK OF ENGLAND

One of these houses, No. 21 Austin Friars, is still remembered by some of the old inhabitants of the City, a great, cavernous old place possessing certain facilities which endowed it with what is familiarly called "atmosphere". It was not overcheerful by day (so a veteran Londoner has related) and it owned strange voices which gave tongue after dark, a fact not surprising of a house in which the walls, ceilings and floors had become saturated with the exhalations of human emotions during nearly four hundred years.

The Olmius family possessed extensive estates in Essex, and a mansion at Boreham, which was afterwards used as a convent. Apparently they were regarded with genuine respect by the people among whom they had settled, for John Olmius, the same who became Deputy-Governor of the Bank of England, was also High Sheriff of Essex in 1707, a Justice of the Peace and the Deputy-Lieutenant of the County. At one time, "The Saracen's Head" at Chelmsford, possessed two hall chairs emblazoned with the Olmius crest, a demi-Moor in armour between laurel branches, surmounted by a Baron's coronet, but it is quite possible that they are no longer preserved there.

One further subject of interest might be noted. On an old map of London showing Broad Street Ward, St. Austins Fryers is marked as adjoining the gardens of the Drapers' Hall, while near the passage of Austin Friars there stands "a great mansion called the Spanish Ambassador's House", which, says Strype, was inhabited by Sir James Houblon. No. 21 Austin Friars is the Branches Stock Office of Lloyds Bank.

CHAPTER XII  
FOOTPRINTS AT GROCERS' HALL



## CHAPTER XII

### FOOTPRINTS AT GROCERS' HALL

THE first Governor of the Bank of England was a member of the worshipful Company of Grocers, and it will be remembered that Grocers' Hall housed the Bank during the first forty years, the most critical years of its growth.

In view of this forty years' association between the Bank and the Grocers' Hall it may not be out of place to give a few brief details regarding the history of this ancient Company which was incorporated by Edward III, in 1345, under the title of "The Wardens and Commonalty of the Mystery of the Grocery of the City of London". The Grocers, however, under the early name of "Pepperers", had been in existence for a long time previous to that date. In 1232 we know that a Pepperer was chosen as a London Justice of the Peace, and in 1339, one, Andrew Aubrey, a grocer, was advanced to the dignity of Mayor of London. Aubrey's mayoralty was rather lively, for the Mayor and two of his officers being assaulted in a tumult, two of the ringleaders were beheaded at once in Chepe.

The present Grocers' Hall although built in 1798 is not what it was. The besom of improvement had indifferently abolished both things gracious and of olden fame, and things neither beautiful, nor of good repute in its immediate neighbourhood. More than anything we may regret the loss of the garden. The parlour windows of the Hall



were almost covered with grape vines and there were several fountains. The garden also had an arbour and in 1433 it was generously thrown open to the citizens who had petitioned for the privilege. It contained a fish pond, tall yew hedges, and a bowling alley, with an ancient tower of stone, called "The Turret", at the north-west corner. The garden was swept away in 1802 when Princes Street was enlarged.

As has been observed in a previous chapter, the Governor and Company of the Bank of England carried on their business here from the establishment of the Bank in 1694 until their removal to Threadneedle Street in 1734. When the Bank vacated Grocers' Hall, the old building was replaced by a new one which was afterwards demolished to make way for the present structure which dates from 1798.

Ravenhill, the historian of the Grocers' Company, says:

"The word Grocers was a term at first distinguishing Merchants of this Society in opposition to inferior retailers; for that they usually sold in gross quantities, by great weights; and in some of our old books, the word signifies Merchants, that in their merchandising dealt for the *whole of any kind.*"

The Grocers were entrusted with the management of the King's Beam, an office which appears to have been vested in the Company time immemorially; they "having had all along," says Ravenhill, "the naming of the Weight-Master, and the naming, placing, removing, and governing, of the four Porters attending that office, all to be elected out of their own Company, and to be sworn at their own Hall; a privilege allowed to them, as their

## FOOTPRINTS AT GROCERS' HALL

undoubted and inseparable right, and as ancient as that office itself used in the City."

The "King's Beam" was at Woolwharf and was used for weighing wool at the port of London. It was the King's Beam which foreshadowed the first London Custom House.

If you turn into Old Jewry to-day, you will have some difficulty in finding any signs of Grocers' Hall or its vanished gardens. Old Jewry Chambers, a little cul-de-sac out of Old Jewry, offers you a peep at a section of the Grocers' Hall property with its large, old-fashioned windows, and if you appreciate venerable trifles you will be interested in a tablet set in the wall there. The tablet is older than the present Hall; probably it was sculptured before the idea of a Bank of England was even conceived.

It displays the Grocers' Arms which are: argent, a chevron, gules, between nine cloves; sable 4, 2, and 3; an esquire's helmet; crest, a loaded camel, passant, proper; the supporters, griffins; motto: "God grant Grace." The arms are ancient; the supporters were granted by William Benote, Clarencieux, temp. Hen. VIII. The loaded camel is of course in emblematical commemoration of the manner in which the commodities of the Grocers' trade were anciently conveyed over the Deserts of Arabia.

In 1829 when Edward Wedlake Brayley was writing his *Londoniana* he noted that the entrance to the Hall was a narrow passage called Grocers' Alley. This passage, as appears from Stow (Survey of London), was anciently called "Coneyhope Lane", from the sign of three Conies (Rabbits) hanging over a poulterer's stall at the Lane end; or more properly, as the historian has spelt it on the same page, "Conningshop Lane," i.e., "Coneyshop Lane." At

the upper end of this lane, or rather between it and the Poultry Compter, stood the Chapel of Corpus Christi and St. Mary, which was founded, says Stow, by a citizen named "Jonyrunnes", in the reign of Edward III, and to which belonged a Guild or Fraternity, that might expend £20 by the year. After the suppression of that foundation, the premises were purchased by a haberdasher, who "turned the Chapel into a fair warehouse, with shops towards the Street, and lodgings over them."

Grocers' Alley appears clearly marked on the old plan of Chepe Ward; in more modern maps it is called Grocers' Hall Court. Another quaint little Court which joins it to Old Jewry is Dove Court, but new London every day threatens to devour these morsels of antiquity and at the time of writing a remodelling of the district is under consideration, while all around cliff-like buildings are being erected in the new and dominating style of architecture.

Many celebrated citizens of London were intimately connected with Grocers' Hall, as the following list of Grocers, given in Thornbury's *Old and New London*, will bear witness. First to be mentioned is "Sir John Philpot, Mayor, 1378, who fitted out a fleet that captured John Mercer, a Scotch freebooter, and took fifteen Spanish ships. He afterwards transported an English army to Brittany in his own ships, and released more than 1,000 of our victualling vessels. John Churchman, sheriff, in 1348, was the founder of the Custom House. Sir Thomas Knolles, mayor in 1399 and 1410, rebuilt St. Antholin's, Watling Street. Sir Robert Chichele (a relation of Archbishop Chichele), mayor in 1411, 12, gave the ground for rebuilding the church of St. Stephen, Walbrook, which

## FOOTPRINTS AT GROCERS' HALL

his descendant, Sir Thomas (Mayor and Grocer), helped to rebuild after the Great Fire. Sir William Sevenoake was founder of the school and college at Sevenoaks, Kent. Sir John Wells (mayor in 1431), built the Standard in Chepe, helped to build the Guildhall Chapel, built the south aisle of St. Antholin's, and repaired the way leading to Westminster (the Strand). Sir Stephen Brown, mayor, 1438, imported cargoes of rye from Dantzic, during a great dearth, and as Fuller quaintly says, 'first showed Londoners the way to the barn door.' Sir John Crosby (Grocer and Sheriff in 1483), lived in great splendour at Crosby House, in Bishopsgate Street: he gave great sums for civic purposes, and repaired London Wall, London Bridge, and Bishopsgate. Sir Henry Keble (Mayor, 1510) was six times Master of the Grocers' Company: he left bequests to the Company, and gave £1,000 to rebuild St. Antholin's, Budge Row. Lawrence Sheriff, Warden 1561, was founder of the great school of Rugby."

The Grocers still boast many treasures tucked away, in their Hall, and the curious may examine them at pleasure after having obtained a permit from the Secretary. Before exploring the Hall it is of interest to note the fact that this building has a modern link with the Bank of England, for during the Great War the Company generously offered their Banqueting Hall to the Governor as a temporary office. Their offer was gratefully accepted and history was once again made under the roof of Grocers' Hall since the First and Second War Loans were handled there. The Banqueting Hall was used as an annexe of the Bank for two years, but the Grocers declined to accept payment for it. Amongst their most esteemed treasures to-day are two magnificent pieces of old plate presented

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to them by the Bank of England after the war, in remembrance of this additional bond of friendship between the two great institutions. In the corridors of the Hall are many rare drawings and prints of the Bank of England. Here will be seen the little-known print of the Bank, dated 1738, showing a figure of Britannia on its façade. This figure is said by some people to have been the origin of the Bank's name of the "Old Lady of Threadneedle Street", as indicated in Chapter IX.

The Hall also contains one of London's little-known museums. There is a marvellous collection of weighing-instruments from every part of the world in one case, and many relics from the previous buildings owned by the Company.

There is an unexpected peep-show of greenery hidden away in the drive of the Grocers' Hall; it is merely a strip of grass, but it serves to remind us that here once stood a garden which extended to the bounds of the Bank of England, a garden where owls hooted to each other amid tossing, shadowy tree-tops. It is said that the Grocers parted with that garden for £200 when the Bank of England were looking for additional building land.

In a drawing of the "New Bank Buildings" by Shepherd, published in 1828, the new Princes Street is shown just after the Bank had extended to part of the Grocers' Hall Garden; but even in this print many trees are still flourishing in the space before the Hall.

## CHAPTER XIII

THIS PAPER NOTE—THIS SIMPLE PLEDGE



## CHAPTER XIII

### THIS PAPER NOTE—THIS SIMPLE PLEDGE

AT the Institute of Bankers, in Bishopsgate, there are old bank-notes in abundance. Many of these old notes have a story. Here you will see two Bank of England notes which are unique. In their design and colour there is a marked difference to the well-known black-and-white pattern. The one pound note is dated 1820 and is elaborately engraved with chequer-work and wavy lines. In the centre the value ONE POUND is printed boldly in scarlet with a figure of Britannia on each side of the note. The Britannia on the old notes is rather dowdy, but here we see her in gala day dress with plumed helmet and much finery. The five pound notes of this series has the value printed in blue and depicts Britannia standing with a fish-spear in hand and a bee-hive at her feet. These small differences in the figure of Britannia, which is the official seal of the Bank, are worthy of attention, for since 1694 the Governors and Directors have brooked no appreciable change in her costume and pose, and to-day the figure on the £1 and 10s. Bank of England notes remains the same as the design on the issues of 1794. The rakish demeanour of Britannia on the two specimen notes mentioned above must have been a shock to the dignified Directors of the Bank of England and we can imagine the Governor waving aside the showy design with a gesture of disdain. In any



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case we cannot trace any record of the issue of this new type of note. It appears that they were designed to prevent forgery. In 1819 the Bank were experimenting with new paper and plates to produce a note which could not be forged, and the Committee's report contained the following note on the subject:

"A number of squares will appear in chequer-work upon the note, filled with hair lines in elliptic curves of various degrees of eccentricity, the squares to be alternately of red and black lines, the perfect mathematical coincidence of the extremity of the lines of different colours on the sides of the squares will be effected by machinery of singular fidelity. But even with the use of this machinery a person who has not the key to the proper disposition would make millions of experiments to no purpose. Other obstacles to imitation will also be presented in the structure of the note; but this is the one principally relied upon. It is plain that any failure in the imitation will be made manifest to the observation of the most careless, and the most skilful merchants who have seen the operation declare that the note cannot be imitated. The remarkable machine works with three cylinders, and the impression is made by small convex cylindrical plates."

Another early note for £15 bears the date 1793—a year of great stress at the Bank. In the autumn of 1792 the undercurrent of alarm caused by the French Revolution, and the breaking down of many country bankers, resulted in serious strain on the gold supplies and when France declared war on England in 1793 the position became serious. It was at this juncture that the Bank Directors issued £5 notes, but the people still clamoured for gold and it is probable that country folk, fearful of a landing

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of the French army, hoarded and buried coin all over the country. It is said that the Bank held under a million pounds in specie in 1797. To save the gradual drain on gold in paying out small amounts the Bank, in that year, issued notes for £1 and £2. And in consequence of the deficiency of silver coinage, Spanish dollars and half-dollars were issued countermarked with George III's head on the neck of the bust.\* A second issue from the Mint was made in 1804, the countermark being the head used for stamping the silver penny. The countermarked dollars were current for 4s. 9d. Then Boulton manufactured at the Soho Mint the well-known five-shilling dollar, a beautiful coin. It has: Obverse, the bust of the King laureated and draped; inscription: "Georgius III. Dei Gratia Rex." Reverse: an inner band, with a turreted crown inscribed "Five Shillings Dollar"; in the centre a figure of Britannia holding an olive branch and spear, and leaning on a shield with the crosses of St. George and St. Andrew united upon it; a beehive on her right, and a cornucopia at her left; and the inscription: "Bank of England, 1804." In 1811 the price of silver had risen, and the Bank of England gave notice (March 18th, 1811) that they would pay for and issue the dollars at 5s. 6d.

The issue of Spanish dollars finds an echo in one of Lamb's "Essays", entitled: *Mrs. Battle's Opinions on Whist*.

"I once knew her forfeit a rubber (a five-dollar stake) because she would not take advantage of her turn-up knave, which would have given it her, but which she must have claimed by the disgraceful tenure of declaring 'two for his heels'."

\* See Chapter VI.

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The £1 and £2 notes of 1797, owing to their rough style of production, led to much forgery, and to a scandalous waste of human life. The punishment for forgery at this date was death, and as the notes were easily imitated and easily circulated, the executions for this offence increased to an extent which bore no proportion to any other class of crime. George Cruikshanks, the great artist and humorist, wrote to a friend: "At this period, having to go early one morning to the Royal Exchange, I passed



CRUIKSHANKS' "BANK NOTE"

Newgate jail and saw a half a dozen poor people dangling from the gibbet, two of these were women who had been executed for passing one pound forged notes." Cruikshanks was so shocked by this sight that he determined to put a stop to such a terrible punishment, for such a crime, and made a drawing of a £1 note in which he introduced the "Old Lady of Threadneedle Street" as a gorgon feeding on human bodies, and added further decorative items which included the black cap, a hang,

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man's rope and a gallows from which eleven bodies were suspended. Cruikshanks' notes, which were printed in enormous numbers and sold in the streets of London, produced an inquiry, which resulted in an Act: "For the better prevention of the forgery of the notes and bills of exchange of person carrying on the business of banker," and the abolition of the death penalty for forgery.

The Bank of England notes from 1793 to 1799 bear the year of issue, divided by the Britannia medallion thus  
17 93.

It is scarcely necessary to inform the reader that it is impossible to give any illustrations of the old Bank of England notes for the reasons that they are all still current and that it is an extremely unsafe experiment to attempt the imitation of anything whatever connected with them. For that reason we must direct those readers who desire to view specimens to inspect this very extensive collection of notes, permission to do which is usually granted.

Many years ago the Bank engraved and issued two notes for £100,000 each and two for £50,000. An aged cashier of a famous private bank was fond of relating the story of a butcher he remembered, who had amassed an immense fortune, walking into his bank with one of these £50,000 notes, asking the loan of £5,000, and wishing to deposit the big note as security in the banker's hands, saying that he had kept it for years. The £5,000 were at once handed over, but the cashier hinted at the same time to the butcher the folly of hoarding such a sum and losing the interest. "Wery true, sir," replied the butcher, "but I likes the look on't so wery well that I keeps t'other one of the same kind at home."

Every bank cashier at some time or other has heard a

customer complain about a £5 note being issued to him with a corner clipped off or a nick in the edge. Such nicks are a special feature of the Bank of England notes. The three rough fringing edges are called the "deckelled" edges, being the natural boundary of the pulp when first moulded; the fourth is left smooth by the knife, which eventually cuts the two notes in twain. This paper is so thin that, when printed, there is much difficulty in making erasures; yet it is so strong, that "a water-leaf" (a leaf before the application of size) will support thirty-six pounds, and, with the addition of one grain of size, will hold half a hundredweight, without tearing. Yet the quantity of fibre of which it consists is no more than eighteen grains and a half.

Beside the actual forged Bank of England notes many "flash" notes were circulated about eighty years ago. The "flash" note was not a forgery, but merely a rough representation of the main features of a bank-note without actually using the correct wording and decoration. Many business houses printed these notes as advertisements and one which we have inspected reads: "BANK OF ELEGANCE. I promise to supply FIVE POUNDS worth of paper hangings at the lowest price. For Myself and Co., March 1st, 1850. No. 3 and 5 Deansgate Cathedral Church End near bottom of Market Street, Manchester. Sixpence will be allowed for this note in a purchase of £2 and upwards. Wm. Shiers Great Paper hanging Emporium."

The astonishing thing about these "flash" notes is that they were often passed off on country people as genuine ones, and caused the Bank of England much inconvenience. The crooks of those days used them for show

#### THIS PAPER NOTE—THIS SIMPLE PLEDGE

purposes in gambling at races and fairs, and purposely lost them to "green horns" after having eased them of their small stores of silver coins.

Forged bank-notes were passed by "Magsmen", the slang term for street swindlers, who watched for countrymen and gullible persons and persuaded them to part with their possessions in exchange for their spurious notes. Magsmen were often men of superior education. A writer in *Once A Week*, dating from 1863, writes: "A gang is formed, and one of them is chosen as head. This captain gives the order for a number of five-pound notes; and the order will probably have to go through two or three people's hands before it gets to the original engraver. The members of the gang never know, and the head seldom knows, who engraved the notes. An engraver of false notes will sometimes accumulate stock, in which case he looks out for a magsman in whom he can place confidence. He lets the magsman have the forged notes cheap, and he calls up his gang and gets to work. The forged-note market varies, as all other markets do; a forged Bank of England ten-pound note fetches thirty shillings; a provincial ten-pound note is worth no more than twenty or twenty-five shillings. A forged five-pound note generally sells for about thirteen shillings. Bank of England notes are preferred, as they can be passed almost anywhere. Forged notes for a large amount are seldom turned out, and are always passed off in foreign countries. A gang of magsmen about to pass a quantity of five-pound provincial notes numbers at least twenty men. They work in pairs, and one or two generally keep watch over the whole gang, so that if any of the men get into trouble the rest may be informed, and leave the town immediately.

They spread themselves over the whole town, and all begin to work at the same hour. One of the pair remains outside the shop into which his pal has entered and holds the stock of notes so that the passer of the spurious money is never taken with more than one false note in his possession. If the shop-keeper is awkward, and threatens to send for the police, the magsman will get the note out of his hand and swallow it in a twinkling."

In 1914 on the outbreak of the Great War there was an acute shortage of currency resulting from general nervousness and demand for gold by foreign nationals returning home. As a result, the Currency and Bank Notes Act was passed giving authority to the Treasury to create emergency currency by issuing one pound and ten shilling notes.

Under the Act these notes were issued to bankers up to an amount not exceeding 20% of their liabilities in the form of deposit and current accounts. The issues of notes were regarded as an advance to the banks by the Bank of England, for which they were charged interest. They provided an addition to the cash resources of the banks, with the double object of relieving the banks from the need to sell securities to meet the demand for cash, and also to prevent an undue call on the deposits of the banks at the Bank of England, which would deplete the reserve of the Banking Department.

The first issue of emergency notes was made in a great hurry. It was difficult at first to find even suitable paper, and the first legal tender notes were printed on the paper used for stamps. The prompt action of the Bank enabled the first issue to be made when the banks reopened for business on the Friday after the prolonged Bank Holiday.

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Under the original Act the new notes were only exchangeable for gold. An Amendment Act was passed later giving the Treasury power to issue certificates to bankers which authorised them to demand Currency notes to the amount of the Certificate. The Certificates gave the bankers a basis of credit on which they could operate without the actual issue of notes in case of necessity. As the notes returned to the Bank of England from circulation they were cancelled, for which purpose the repayment of advances by the Bank were applied.





CHAPTER XIV  
AT RANDOM





the hall, a beautiful virgin, seated on a throne of gold. Her name (as they told me) was Public Credit. The walls, instead of being adorned with pictures and maps, were hung with many acts of parliament written in golden letters. . . . .

"There sat at her feet a couple of Secretaries, who received every hour letters from all parts of the world, which the one or the other of them was perpetually reading to her; and according to the news she heard, to which she was exceedingly attentive, she changed colour and discovered many symptoms of health or sickness.

"Behind the throne was a prodigious heap of bags of money, which were piled upon one another so high that they touched the ceiling. The floor on her right hand and on her left, was covered with vast sums of gold that rose up in pyramids on either side of her. But this I did not so much wonder at, when I heard, upon enquiry, that she had the same virtue in her touch, which the poets tell us a Lydian king was formerly possessed of: and that she could convert whatever she pleased into that precious metal."

He then goes on to describe how a troupe of hideous phantoms entered the hall, their names being Tyranny, Anarchy, Bigotry, Atheisim. They were attended by a young man of twenty-two, (the Old Pretender), who carried a sponge in his left hand with which he intended "to wipe out the National Debt".

These phantoms drew near the throne and their effect on the lady seated there was immediate and disastrous. She first fainted and then faded away. The hill of money bags that lay at her feet shrank while the bags became empty, some falling flat upon the floor, some being wafted

up into the air to float away out of sight. The mounds of gold became nothing but heaps of waste paper or piles of notched sticks, and all was desolation. But, suddenly, there appeared a second set of apparitions, kindly apparitions these were, bearing the benevolent names of Moderation, Religion, and Liberty leading Monarchy by the hand. Accompanying them was a "human" who identified himself as the Hanoverian Elector who later came to the throne in 1714, as King George I. When these apparitions appeared they had a bracing effect. They executed a triumphant dance which put to flight the sinister phantoms. The lady on the throne materialised once more and breathed again, the money bags swelled up and the pyramids of gold were resuscitated—and Addison concludes: "for my own part I was so transported with joy that I awaked."

It may be remembered that this was written about sixteen years after the Bank of England had been founded. The whole Staff of the Bank of England was housed in the one Hall, the directors at one end, the secretaries and clerks at the other.

The staff, to start with, had consisted of seventeen clerks, whose salaries were fixed according to duties at from £50 to £200 a year, and two doorkeepers, who were of course essential, who received £25 a year. The Bank's first deposits were so modest that they were placed in a small chest no larger than a box sofa. But by Addison's time the deposits, as indicated in his *Essay*, had swelled enormously, and the number of clerks and secretaries had been increased to fifty-four, with combined salaries amounting to £4,350.

In the middle of the eighteenth century, the Old

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Lady must have been regarded with excessive warmth by all who worked for her or were affected by her, for it was customary to observe no fewer than forty-seven Bank Holidays during the year. The list is interesting enough to be produced here for the curious and envious to read.

Jan.	1	Circumcision.
„	6	Epiphany.
„	25	St. Paul.
„	30	King Charles the Martyr.
Feb.	2	Purification of the Virgin Mary.
„	3	Shrove Tuesday.
„	4	Ash Wednesday.
„	24	St. Matthias.
Mar.	20	Good Friday.
„	23	Easter Monday.
„	24	Easter Tuesday.
„	25	Lady Day.
April	23	St. George.
„	25	St. Mark.
„	26	Duke of Cumberland born.
„	30	Ascension Day.
May	1	St. Philip and St. James.
„	11	Whitsuntide.
„	12	„
„	13	„
„	29	Restoration of Charles II.
June	4	George III born.
„	10	Princess Amelia born.
„	11	St. Barnabas.
„	24	St. John Baptist.
„	29	St. Peter and St. Paul.

AT RANDOM

July	25	St. James.
Aug.	1	Lammas Day.
„	24	St. Bartholomew.
Sept.	2	London burnt.
„	21	St. Matthias.
„	29	St. Michael.
Oct.	18	St. Luke.
„	26	George III Proclaimed.
„	28	St. Simeon and St. Jude.
Nov.	1	All Saints.
„	2	All Souls.
„	4	King William born.
„	5	Powder Plot.
„	9	Lord Mayor's Day.
„	28	Queen Elizabeth's Accession.
„	30	Princess of Wales born.
Dec.	21	St. Thomas.
„	25	Christmas Day.
„	26	St. Stephen.
„	27	St. John.
„	28	Innocents.

Four holy days were apparently not kept, those of St. Valentine, St. David, St. Swithin and Holy Rood.

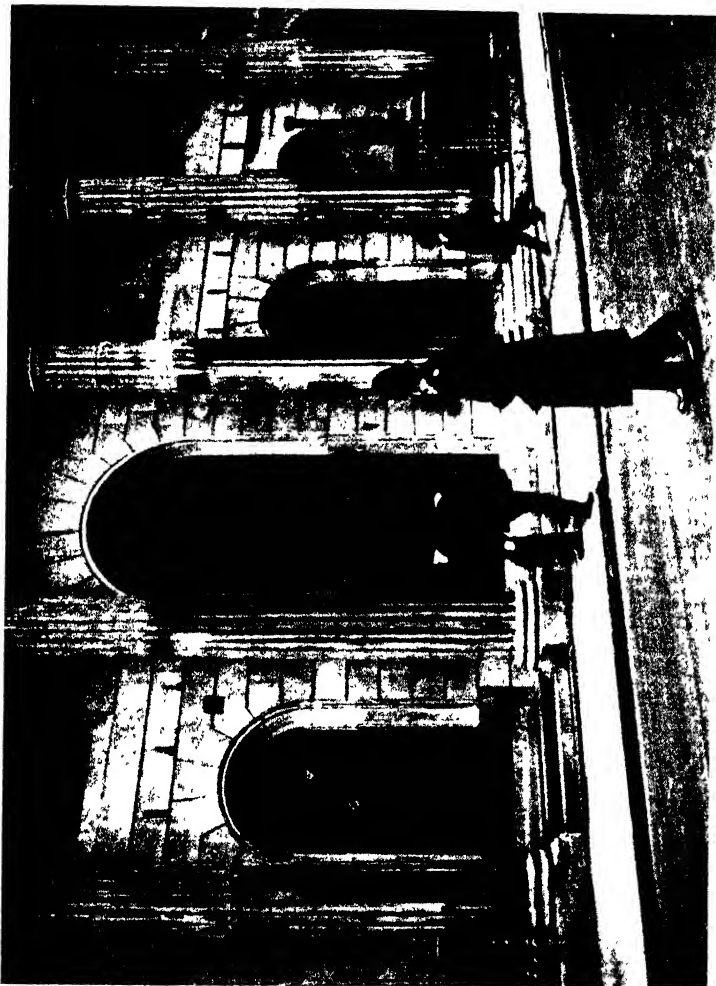
At the end of the century the number of Bank Holidays dropped to forty-two, and then, in August, 1830, the forty-two were cut down to eighteen. When that low figure was reached there was general consternation and considerable lamentation—but the process of cutting down the country's holidays continued inexorably. By Act of Parliament four Bank Holidays only, in addition to Good Friday and Christmas Day, were decreed in 1871.



## THE ROMANCE OF THE BANK OF ENGLAND

The Office hours of the Bank in its earliest period, at the Mercers' Chapel, were from eight to one, and two to five. Subsequently, they were changed to eight to twelve, and one to four. Work by candlelight was only undertaken when it was very pressing and then the clerks received "grease money", a few pence extra to buy bread and ale to sustain them while at their labours. The term "grease money" as an idiom meaning overtime money, lingered at the Bank up to twenty years ago, but in all probability it has now passed out of the Bank clerk's jargon.

Reminiscences, which of late have been as busy as excavations, are responsible for stories the truth of which cannot be quite vouchsafed. It was rumoured that in the fifties, the Bank Authorities were horrified that so many of their bank clerks were wearing moustaches; they deplored and hoped to discourage the practice as being one derogatory to the dignity of the Bank. On the other hand, five generations ago, the Old Lady seems to have been far less strict than she is at the present day, for at least one person remembers that the Superintendent of the Drawing Office at the Bank supplemented his earnings by selling bottles of wine, the wine being kept in the Strong Room along with the ledgers, while another member of the staff found ample remuneration in the sale of Christmas cards among fellow clerks and possibly clients. There used to be, apparently, a considerable amount of "high-thinking" which took the form of animated discussions on religion and politics during office hours. This developed to such an extent that the authorities became alarmed and an order had to be issued prohibiting such laudable pursuits in the office.



SOME OF THE "OLD LADY'S" NEW GATTS



We are told that in the Bank Garden, on sunny days, ladies would sit sewing, and it was quite a usual thing to see bank clerks standing busily painting at their easels. One presumes that these artistic pastimes were indulged in after office hours which, fifty years ago, finished earlier in the day than they do now. In those days the City of London was not so much a district exclusively set aside for offices as it is now, and most of the Bank of England officials lived within easy walking distance of the Bank, while the Chief Cashier or his Deputy lived in a suite of rooms over the Threadneedle Street Gate, and the Chief Accountant lived over the Lothbury Gate. Of that period is the silk top hat that the clerical staff used to wear. This custom died hard, lingering on to the present generation. It has been told how during the Great War, when members of the staff remained in the Bank offices to do "overtime", those who still clung to the "toppers" would perfunctorily take them off at five o'clock and exchange them for the less formal "bowlers", to show that the office day had officially finished.

So far as the spectacular side is concerned the Old Lady of Threadneedle Street can produce her beadies with a thrill of pride. Resplendent in picturesque cocked hats and crimson and black capes over scarlet and gold, they add a bright splash of colour to the grey, austere building and excite never-failing interest in the passers-by.

Rumour has it that the Beadie came to be regarded by City men as a season chart, indicating invariably the arrival of summer, for acting on regulations issued by the Bank he discarded his crimson and black overcoat and revealed his uniform of scarlet and gold when the temperature reached 70° Fahrenheit. When therefore the City beheld the

Beadle thus arrayed, it was universally recognised that summer had begun. James Bone has a charming paragraph on the Bank of England and its Beadle in *The London Perambulator*, in which he says: "It has become the custom with old City men who want to be sure that summer has arrived in London, to pop in for a glance at the Beadle, and if he is coatless their calceolaries and geraniums will need watering. For the variegated Beadle would make anyone think of flowers; indeed, he is probably dressed as he is, and the Bank messengers in their puce swallow-tailed coats and scarlet waistcoats are so coloured, because some high official of the Bank who originally decided their costumes, wanted to be reminded of some favourite flowers, just as one First Lord of the Admiralty named the new destroyers after his favourite foxhounds and another after his favourite liqueurs. The Beadle of the Bank of England, then, registers when summer is at par, and the City men go on holiday with a contented mind."

In connexion with that resplendent personage, the Beadle, there is an amusing little story concerning a Japanese gentleman who was recently on a visit to one of the five big London banks in the City, (not the Old Lady herself,) to study banking methods. He seemed very interested, but not enthusiastically so, in all he saw and heard, but was most anxious in his turn to impress his acquaintances with the importance of the Governor of the Bank of Japan. At every turn in the conversation he would, if possible, revert to the topic of the Governor of the Bank of Japan, and his importance, until politeness only kept his listeners from displaying irritation. His visit lasted six weeks and the "Governor of the Bank of Japan" loomed larger and larger in the foreground. One day

while passing through the City with the senior bank official to whom he had been entrusted, he saw the Beadle of the Bank of England standing outside the building in all the glory of his uniform. "And who may that be," he eagerly asked, "that wonderful, important-looking personage?" "Oh, *that gentleman*," answered his companion, avidly seizing upon an opportunity to relieve his pent-up feelings, "oh, *he* is the Governor of the Bank of England." But the Japanese gentleman was not to be vanquished. He nobly rose to the occasion. "Now, in Japan," he chuckled, "we provide *our* Governor of the Bank of Japan with a luxurious room instead of keeping him waiting about in the doorway!"



CHAPTER XV  
THE MACHINE AT WORK





## CHAPTER XV

### THE MACHINE AT WORK

THE position of the Bank of England is unique. Although it is not a State bank, it performs the functions of a State bank. It was founded, as shown in a previous chapter, partly in response to the needs of the merchants, but in immediate response to the needs of the State, and all its subsequent career is closely interwoven with the history of British national revenue and expenditure.

Moreover, its progress throughout has been stamped by governmental recognition. It was incorporated in 1694, by Government Charter, and its development and the widening of its powers have been officially sanctioned throughout the two hundred and fifty years of its history, by numerous Bank Charter Acts. These, coupled with the fact that the Bank of England exercises the duties and responsibilities of a State bank have endowed it with the character of an *ipso facto* national, Government Bank.

In tracing the record of the financial growth of the Bank of England it should be appreciated that it stands in the centre of all the great national movements in the development of banking and finance, commerce and industry, and it grew up side by side with the growth of the National Debt.

As industry developed there arose a banking system which has come to centre more and more around the

Bank of England. Out of the early primitive banking methods has arisen the present intricate and sensitive credit system, including the whole mechanism of the money market, which still revolves around the Bank of England as its focus.

With the evolution of International trade the influence of the Bank of England widened. London became the money market of the world. Despite the strains and shocks of recent years following the dislocation of finance and industry caused by the war, it still holds this position, while the Bank of England, as the centre of London's money market, registers any repercussion in the financial sphere, and reflects, through the highly involved interlocking of credit and finance, all crises of moment in industry or finance in every quarter of the world.

To come nearer home, the relations between the Bank of England and the Treasury are peculiar, particularly to a foreigner, by virtue of the fact that the Bank of England is not officially a Government Bank. In its constitution and control it is a private Bank, but traces of its early close identity with the State remain. The Government has no control over it or even a representative among its Directors, nevertheless the Bank of England is always in close touch with the Treasury and is understood to be the mainstay of any government that may be in power.

The Bank of England does all the banking business of the State. It keeps all the accounts of the various Government Departments, accounts which appear in the weekly return under the head of "Public Deposits", and often amount to enormous sums. They include the balances of the Government held at the head office and its branches, the Exchequer account, the account of the Paymaster's

General, out of which payments are made to the spending departments, and the accounts of the various divisions of the National Debt. The Bank receives the revenues from taxation, and from Government funds.

In addition to the management of the National Debt the Bank issues Government Loans, and generally acts as the financial agent and adviser to the Government.

All the financial operations of the Treasury involving colossal sums are negotiated by the Bank of England. When conversion schemes have to be carried out, work is undertaken for the Government by the Bank of England. Such proceedings, as well as the floating of Government Loans, necessarily imply the closest touch and constant co-operation between the Bank of England and the Treasury.

An important side of State financing, carried out by the Bank of England, is the placing of something like forty million pounds of Treasury Bills every week. This form of financing government business is a new feature since the war. The Bills are offered for tender in the market every Friday, and represent a form of short-term borrowing which plays an important part in what is called the floating debt. The bills generally run for three months and the periodic borrowing and repayment involves a large share of Treasury finances, for the amount in existence is well over 500 million pounds. They represent a very appreciable proportion of the National Debt.

It is not fully realised how largely the business of the country is run on this, almost day to day, borrowing. The interest the Government has to pay depends on the Market Rate which in turn depends on the Bank Rate, a fluctuating item in the money market. The fixing of the Bank Rate

## THE ROMANCE OF THE BANK OF ENGLAND

which is done week by week, is entirely a matter for the Directors of the Bank and the Treasury has no voice in it.

The Bank of England has a virtual monopoly of the issue of notes, as the powers held by the other banks have gradually lapsed, and its notes are legal tender by law.

It is also the function of the Bank to hold the gold reserve of the country, which is maintained by the use of the Bank Rate.

In other essentials, the Bank of England is a private concern except in regard to these powers of issuing bank notes and granting loans to the State. Apart from legal stipulations the Bank is free to act as any other bank; that is, it can conduct its own private banking business and can take the deposits of private people, although, unlike the Joint-Stock Banks, it pays no interest on them.

The Charter of the Bank of England issued when the Bank was founded in 1694, is still in the main, the basis for many of the Bank's activities, clauses in the Charter, as indicated in Chapter IV, dealing specifically with the powers of the Bank, limited and otherwise, in such matters as trading transactions.

When the Bank was founded at the end of the seventeenth century it lent the Government £1,200,000 in return for 8% interest and an allowance per annum of £4,000 for the management of the Government's financial affairs. In return, the Bank was granted a charter for twelve years and certain privileges of issuing bank notes and of dealing in Bills of Exchange.

The Bank was not established without difficulty and criticism. For many years both political and commercial arguments were put forward attacking the Bank as likely to operate against the public welfare. The project, never

theless, succeeded, and its work began on a modest scale. Its early history is a record of opposition, panics and crises.

In 1708 the Government was again in difficulties for money. Revenue from taxation was barely equal to half the expenditure. The ministry of the time applied to the Bank for help and was granted a new loan of £400,000 at 6%, while £1,775,027 of Exchequer Bills were put into circulation.

The business of the Bank grew side by side with the advance of industry in the country, and with the increase of the National Debt. From time to time fresh loans were made to the Government, which was continually in difficulties. They were stormy times, with disorders at home, and wars abroad. In 1742, when one of the occasions for the renewal of the Bank's charter arose, marked as usual by opposition and criticism, the Bank saved itself by lending the Government £1,600,000 free of interest. As a result of the call on the shareholders, the Bank's capital was increased to £9,800,000.

Three years later, in 1745, following the repulse of the "Young Pretender", the Government again asked help from the Bank. This time the capital was increased to £10,780,000, by the issue of new stock, and £986,000 of Exchequer Bills were cancelled in return for an annuity of 4%. The National Debt had by this time risen to £11,868,000.

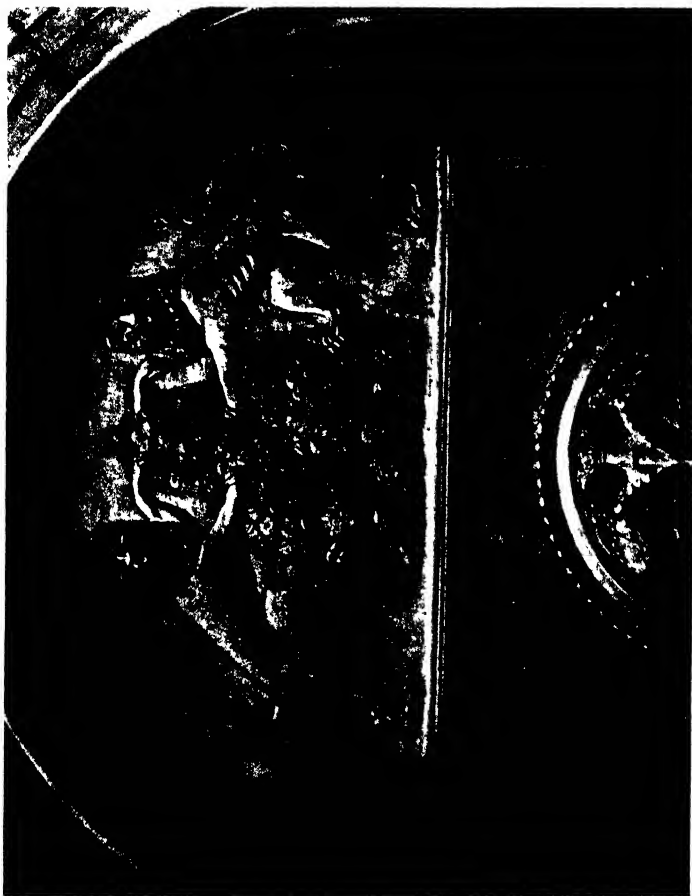
The importance of the Bank in its relations to the country generally, are seen in the proportion to its capital and commitments of the country's wealth. Twenty years before the French Revolution, the population of England was estimated at 8,500,000 persons and the total annual income at £119,500,000. England had been pre-

dominantly agricultural, but by this time the Industrial Revolution was beginning to sweep over the country, and the early nineteenth century saw a complete change in outlook.

The whole period of the Napoleonic Wars, and the subsequent advance in industry, is marked by the issue of a number of loans in which the Bank took a hand, increases in taxation, and the rapid piling up of the National Debt. While the Wars raged, and it must be remembered that war had started in 1793 and did not terminate until 1815, loans to the Government and subsidies to the Allies followed each other in rapid succession. Totals of debt began to reach the astounding figures of modern times, and the question of granting loans against the security of taxes, gave rise to heated controversies in the time of William Pitt, and have continued since. This period witnessed the birth of the Consolidated Fund from which term arose the popular expressions, "Consols" and "Funds".

The story of the Bank of England since the beginning of the nineteenth century has been marked by a number of crises in which it has had to bear the burden of setting matters right, or has been the instrument through which the Government of the time has worked. This responsibility arose because of the position the Bank of England enjoyed as the holder of the reserve of the country, and the controller of the circulation of money.

At most significant moments of crises due to one cause or another the Government is called in and then the momentous step may be taken of suspending the Bank Charter Act. This refers to the Bank Charter Act of 1844.



THE NEW BANK

The Decorations on one of the massive Bronze Doors





Under this Act the Bank was allowed to issue notes to the value of £14,000,000 against securities, which was roughly the amount of its capital. The securities on which it was based were the Government Debt, amounting in 1844 to £11,015,000 and other securities to the value of £2,984,900 consisting of British Government stocks. Any issue of notes over and above this total had to be covered by gold coin and bullion to make an amount equal to the nominal value of notes outstanding.

The Act was introduced by Sir Robert Peel, and arose out of the arguments between two opposing schools of banking policy. Advocates of the currency principle, as it was called, insisted that actual gold should be kept in reserve for the conversion of notes when required. Those who favoured the other side, or banking principle, argued that the issue of notes could well be left with the bankers, as it would in any case be regulated by the needs of actual business transactions for currency.

In the end the currency party won the day, and very rigid lines were laid down restricting the issue of bank notes. In those days the Bank of England did not possess the weapon of the Bank Rate, giving the power of charging higher interest for loans to check excessive demand.

The Bank Charter Act, which still rules the policy of the Bank, had as its main object the gradual gathering of the monopoly of bank-note issue into the hands of the Bank of England. This note issue, as indicated above, was for the greater part to be covered by the gold deposited at the Bank of England, that is to say, the Bank was to hold the gold equivalent of the value of the notes issued. The small proportion of the note issue not backed by

gold was to be covered by securities, part of which were represented by a government guarantee.

The suspension of the Bank Act, a step only resorted to on the rarest of occasions and only then as an alternative, is a drastic step to allow the Bank to ease the financial situation by issuing notes for the time being on a scale greater than that laid down by the law, that is, without the gold backing. The power which the suspension of the Bank Act gives to the Bank of England is a power that is of necessity used with the greatest discretion.

On three historic occasions in the nineteenth century the Bank Act was suspended. In 1847 a financial crisis arose through speculation in railway undertakings. Bad harvests made heavy imports of corn necessary, and the consequent export of gold. A financial panic followed, but the power of unlimited credit given to the Bank soon restored confidence.

The 1857 crisis was due to financial difficulties in America, where several large banks stopped payment. A gold drain from this country, and heavy curtailment of credit caused many failures in England. The Bank reserve again fell to a very low figure. This time the Bank took full advantage of the suspension of the Act. The Bank Rate was raised and remained at 10% for a long time, before sufficient gold was collected to remedy the situation.

The Civil War in America in 1865 caused the third crisis. The war cut off supplies of raw cotton, which had to be purchased elsewhere at high prices. Credit everywhere was restricted, there was a general offering of securities without buyers, and several large financial houses failed, including Overend Gurney & Co., with liabilities of over ten millions. There was wild panic in

business circles and Friday the 11th May, 1866, has since been known as "Black Friday".\* During this crisis the Bank Rate stood for a time at 8%.

The outstanding instance however of the suspension of the Bank Act is at the beginning of the war. The demand for money was met in that crisis by the issue of one pound and ten shilling Treasury notes. The powers given to the Bank of England to increase its note issue were not used at that time. The manner in which the Bank dealt with the emergency is a tribute to the wisdom of its management. It is interesting to recall that whereas the usual custom is to alter the Bank Rate when necessary only on Thursday, it was changed three times in one week, on Thursday, Friday and Saturday, reaching 10% on the 1st August, 1914. An even more striking innovation was the change made in the Bank Rate on a Sunday in a more recent crisis (1931).

By the Bank Act of 1844, the Issue Department of the Bank was separated from the Banking Department. The weekly bank return, the publication of which was stipulated by the Act, still appears, showing the two departments of the Bank under separate headings.

The only business of the Issue Department is to issue notes; the Banking Department carries on the ordinary business of the Bank. Many changes have taken place since the passing of the Act, but the general principle still holds good. Banks of issue existing in 1844 were allowed to continue the issue of their own notes, but when these rights lapsed, as they did from time to time, a proportion of them, (two-thirds), was acquired by the Bank of England.

\*There was an earlier Black Friday in the City in 1745 on the occasion of the Young Pretender's successful march to Derby and the subsequent threat to London; see Chapter V.

## THE ROMANCE OF THE BANK OF ENGLAND

The result was that in 1923 the fiduciary\* issue of the Bank was raised to £19,750,000.

Direct dealings between the Bank of England and foreign banks have become more frequent since the war, owing to the growth of International finance. Finance, on anything like modern lines, is not much more than a hundred and fifty years old. It has grown up with the advance in industrial conditions in Europe and America. The web of mutual debt from one nation to another, due to the war, has raised the whole problem to an entirely new plane.

Direct action between the world's Central Banking Authorities is not altogether a new thing. In the crisis of 1837-39, which was due to a gold drain to America, there was financial trouble in England and in various parts of Europe. It was largely a currency crisis. A desperate position was relieved by the action of the Bank of France, which, unable to make a direct loan, discounted bills for £2,000,000 drawn on Paris bankers, and thus saved the situation.

Again in 1890, at the time of the Baring crisis, the Bank of France came to the assistance of the Bank of England with a loan, and also facilitated the import of gold.

The credits arranged with American banks after the war with the object of "pegging"† the exchange are an outstanding example of a modern transaction between the Bank of England and foreign banks, although in this case the matter was not a direct arrangement between Central Banks.

\*The "Fiduciary" issue relates to that part of the note issue which is not covered by gold, but by securities.

†Foreign exchanges are said to be "pegged" when foreign governments or overseas banking powers grant credits in their respective countries to steady the exchange.

The credits of 80 million pounds and 50 million pounds, arranged in August, 1931, in New York and Paris, are more recent instances of co-operation between foreign banks and the Bank of England. The exhaustion of these credits owing to the drain of gold to New York, Paris and Holland, led to the critical situation which resulted in the suspension of the Gold Standard in England, September, 1931. The issue of Treasury Bonds in Paris in connexion with the second of these credits was the first British Government loan made on the French market.

Two French loans were issued on the London market during the war. An issue of French National Defence Loan (5% Rentes) was made in 1915 and another of 4% Rentes in 1917. Both of these came out under the auspices of the Bank of England.

The Bank of England differs from the Joint-Stock Banks in that it holds the cash reserves of these banks. As these banks lend money to industry, and this lending is controlled by the Bank Rate, the Bank of England in itself affects the trade of the country. The connexion of the Bank of England with industry is obscured by the fact that although with it rests the ultimate decision to make industrial loans cheap or dear, it is an indirect control only.

As industry lives on money, and mostly borrowed money, the rate of interest borrowers have to pay very often makes all the difference between profit and loss. It also affects new enterprises. New businesses are encouraged to start, and old businesses to expand if money can be borrowed at a cheap rate. When high interest has to be paid there is a contraction of trade and currency all round.

The ability of the commercial banks to lend money

depends on their cash reserves and deposits. By its control over the basis of credit of the country, the Bank of England is able to regulate the volume of bank deposits. The circulation of money is a curious and interesting study. The money lent out by the commercial banks goes round in retail business, payment of wages and salaries, and comes back to the Bank again in the form of further deposits. As these deposits rise or fall, so cash balances of the commercial banks at the Bank of England rise or fall.

The situation was recently stated very concisely by the then Chancellor of the Exchequer, Mr. Philip Snowden,\* in a speech in which he pointed out that, "the ability of the Joint-Stock Banks to supply credit is balanced on their reserves of cash, and their reserves of cash are related to the Bank of England reserves, which in turn are regulated by the Bank's holding of gold. Hence any loss of gold must involve a contraction in the basis of credit." †

Quite recently there have been signs of a closer relation between the Bank and industry than in the past. Within the past few years the Bank of England has been actively interested in forming the Securities Management Trust, with the object of assisting in the rationalisation of industry. Out of this has arisen the Bankers' Industrial Development Company, with a capital of six million pounds, and having as its Chairman, Mr. Montagu Collet Norman, Governor of the Bank of England.

The Bank has also taken an interest in the formation of the National Shipbuilders Security Company and the Lancashire Cotton Corporation, as well as being connected with the various issues under the Trade Facilities Act.

\*Now Viscount Snowden of Ickornshaw.

† The above remarks apply to normal working when the country was on the Gold Standard.

It is not yet clear how far the Bank will go in this direct contact with industry. Although it is generally admitted that closer co-operation between finance and industry is desirable it is likely that the link will ultimately be formed in some other way.

During the war the issue of one pound and ten shilling notes by the Treasury helped to meet the need for "spending money". This Treasury issue was amalgamated with the Bank of England note issue in 1928. In that year the fiduciary issue was raised to £260,000,000. In 1931 it was further raised to £275,000,000.

Thus the Bank of England is now the sole authority of the country with the power to issue bank notes. It may include in these securities silver coin, up to five and a half million pounds. The remainder consists of interest-bearing securities at the choice of the Bank itself.





## CHAPTER XVI

THE NEW LADY OF THREADNEEDLE STREET



## CHAPTER XVI

### THE NEW LADY OF THREADNEEDLE STREET

FOR over a hundred years the world has been familiar with the famous building that stood at the corner of Threadneedle Street, opposite the Royal Exchange. Its greyness, latterly grown into a smoky blackness, its classic columns, its long broad front and its very squatness, had become an attraction for Londoners and a Mecca for visitors who gazed at it in awe as the world-renowned Bank of England, the Guardian of the Nation's wealth.

Now the old building is rapidly giving way to a new one, and the masterpiece of Sir John Soane is being supplanted by the masterpiece of Sir Herbert Baker. But not altogether supplanted. In deference to the genius of Sir John Soane, and in appreciation of the utility of his work, part of the old building is being retained—the outer walls fronted with the well-known Corinthian columns.

It was hoped to retain more of the old building, for the interior of the old Bank of England had a peculiar interest for those who knew it. The outside windowless walls, erected for defence purposes after the Gordon Riots, were well-known enough to every Londoner, but few people knew how pleasant were those interior arches and court-yards, and how impressive were many of those cool, silent banking halls, with their domes and barrel-vaulted ceilings.

## THE ROMANCE OF THE BANK OF ENGLAND

Gone will be the sumptuous Court Room, with the dignity of its classic columns and its famous central clock, gone the old Consols Office, with its blend of classicism and modernism, and the renowned Rotunda, reminiscent of the spacious baths of Roman tradition.

Perhaps most lamented of all among the features of the old Bank that will vanish, will be the Bank Garden. This garden will remain until the summer of 1933, but very reluctantly the Directors have finally agreed to its being supplanted, for the walls of their new building are to be so high that the light of the sun will be entirely blotted out from the garden. In the place of the garden there is to be a garden court more in keeping with the design of the modern building, and here the figure of St. Christopher is to be placed.

It is hoped to retain many of the famous Adam fireplaces, and works of statuary, in the new building, but apart from these isolated features, the New Lady of Threadneedle Street will have little of the old in her future construction.

The Directors of the Bank decided on this policy of reconstruction for a number of reasons, the chief of which was the necessity for more adequate accommodation. During the war-period particularly, the staff of the Bank increased to such an extent that the question of accommodation became a serious one. In July 1914 the clerical staff had numbered about a thousand; by 1918 this had increased threefold. The original building was not adaptable for either such an increase or for the elaborate allocation of rooms that the enormous growth of the Bank's work involved.

The Bank at this time had acquired considerable pro-

## THE NEW LADY OF THREADNEEDLE STREET

perty in their corner of the City. It included three and a half acres of very valuable land, (one estimate has given the value of the land at £18,000,000), which was not being used to its fullest advantages in Soane's building. The work of reconstruction was therefore started in 1924, and it is hoped will be completed by 1937.

It will be recalled that Sir Herbert Baker, A.R.A., F.R.I.B.A., the architect of the New Bank, built Government House, Pretoria, and the Rhodes Memorial on Table Mountain, and was collaborating architect with Sir E. L. Lutyens in the planning of the New Capital of Delhi. Sir Herbert has devised a modern building of four or five storeys, not a skyscraper to be sure, but a building considerably taller than the old one. The whole interior is being reconstructed, and the main mass of the new building will be, when finished, some fifty feet back from the outer wall and about a hundred feet above the ground. It will indeed be an impressive building, and a building to which one will look up in the literal sense of the word.

To lay the foundation of the new building it was necessary to dig very deeply, below the old foundations, and during the process many historic discoveries of remains were made.\* In the old Bank, some of the strong rooms were on the ground floor; in the new scheme, all the strong rooms are below ground, in three floors, the floor of the lowest being some fifty feet below street level. The new strong rooms, with their sides of concrete and steel, and their massive doors each weighing many tons, are to all intents and purposes impregnable to the onslaughts of unofficial man. The doors are worked by the most

\*These have been mentioned in previous chapters.

## THE ROMANCE OF THE BANK OF ENGLAND

intricate machinery, and are constructed to be well-nigh bomb and shell-proof.

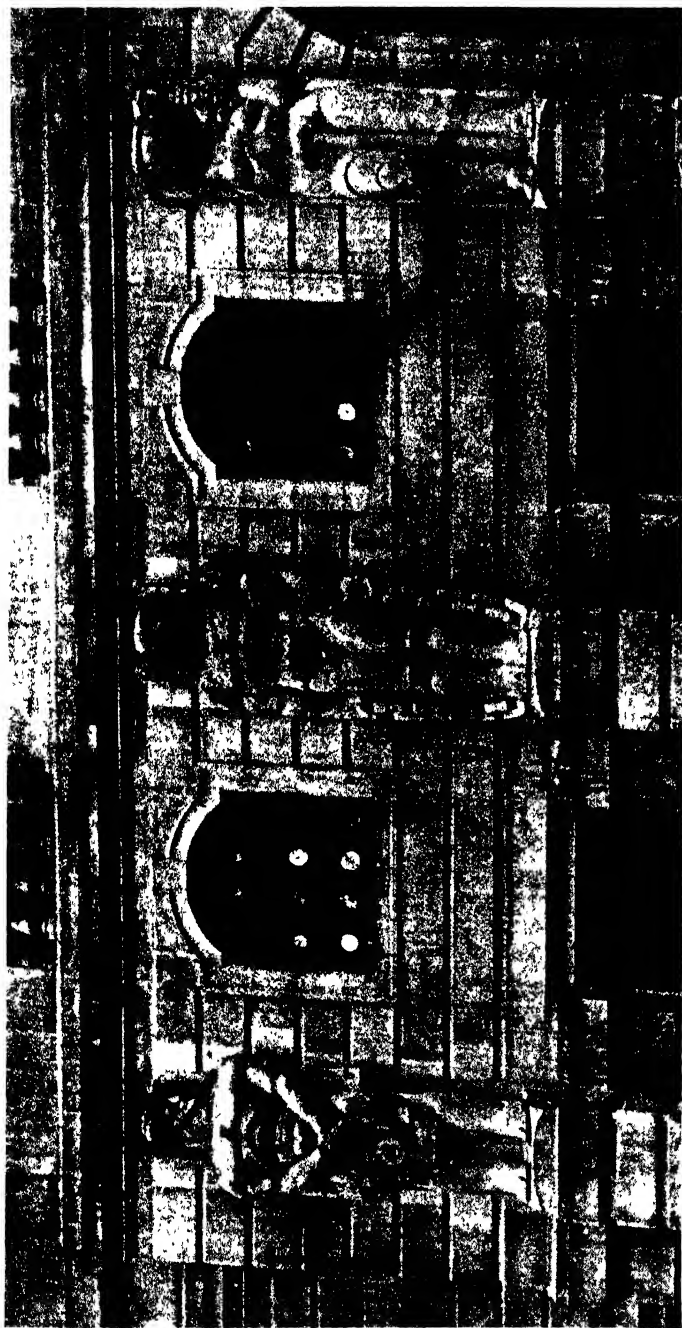
The entrance to the new Bank is through two great bronze doors eighteen feet high, adorned with large solid studs, and elaborately wrought. In the centre of each door is a lion's head surmounted by a Caduceus.\* The left hand door, representing the foundation of the Bank of England, bears a sailing ship of the period of King William III and the right hand door denoting the rebuilding of the Bank bears the hand of Zeus grasping forked lightning, the symbol of electrical force. Towards the top of the doors are the constellations of Ursa Major and the Southern Star indicating the world-wide activity of the Bank, while in the left hand corner is the Pole Star symbolising the Bank of England as the lode star to navigators on the financial seas.

On either side of these central doors are two smaller doors of burnished copper with circular "sight holes" guarded by wrought iron. Above the "sight hole" on the left are three lions "couchant", above the hole on the right two lions "rampant" guarding a mound of money.

The upper part of the building, as the illustration shows, will present a vastly different appearance from the old building. Above the Soane columns, stand six large pedestalled buttress figures, the work of Mr. Charles Wheeler.

Before these figures were revealed, there was much interest evinced in their possible shapes and sizes. Rumour had it that they were futurist and cubist figures, worked in the style of Epstein, and Londoners waited with no little impatience and amusement for the hoardings that

\*Ancient herald's wand, as carried by the God Hermes.



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The Sculptures in Stone on the face of the Building, which have caused much comment





## THE NEW LADY OF THREADNEEDLE STREET

hid them to be removed. The figures came in for a great deal of criticism, as the work of a modern sculptor, with very definite ideas on art, are bound to do. The somewhat old-fashioned arguments were immediately brought forward by a number of people that the figures were not life-like, that the bodies were flat and had unnatural-looking massive muscles, and that the legs were aggressively thick. But to others the figures, like the figures of Mestrovic, make a ready appeal and they are able fully to appreciate the fine type of what may be called twentieth-century architectural sculpture, with which Mr. Wheeler here identifies himself and which will accord so well with the completed façade when the elements have tempered it down from its startling newness.

The six figures are symbolic of wealth, security and custodianship. The two female figures, one on either side of the central key-stone, bear cornucopiæ, while of the four male figures, one carries a heavy chain and another dangles two massive keys. Further to complete the suggestive significance of the Bank and to symbolise the storing and releasing of the Bank's wealth, there is carved into the archway of the central key-stone a large double-warded key, inspired by the lines of Lycidas, which run:

*"Two massy keys he bore of metals twain,  
The golden opes, the iron shuts amain."*

Rising above the figures and forming the upper part of the frontage are the new Baker columns. By a happy thought, the figures are so placed as to suggest the link between the new modern building, as expressed in the upper portico, and the old familiar building of Sir John

## THE ROMANCE OF THE BANK OF ENGLAND

Soane as exemplified by the lower Corinthian columns. The upper columns carry upon their heads the pedimental façade, bearing two medallions and a central figure. The left hand medallion is engraved with the date of 1694,

MD  
CXC  
IV

the date of the founding, (although not of the building), of the Old Bank of England. The right hand medallion has the date 1930,

C  
MM  
XX  
X

engraved upon it, signifying the construction of the New Bank of England.

But it is upon the central figure that the lively attention of the present generation has focused itself, for here is the New Lady of Threadneedle Street herself, a lady far different from the old familiar one.

There she sits, a strong muscular figure, young but vigorous, wearing a short classic kilt, and clutching in one hand a draped cloak flowing in shell-like folds behind her. Her face is stern but kind, and the expression one of watchfulness and shrewdness tempered by patience and experience. On her right knee which is arched, she bears a replica of the upper columns and façade of the new building, while beside her on her right hand is a mound of circular shapes, symbolising the money entrusted to her care.

### THE NEW LADY OF THREADNEEDLE STREET

She looks down from her height upon the comings and goings below, and with an assuredness and serenity which stamps the Bank with her own significance, carries on the romantic tradition as the New Lady of Threadneedle Street.



APPENDIX  
CHRONOLOGICAL SUMMARY



## APPENDIX

### CHRONOLOGICAL SUMMARY

#### SECTION A. 1694-1914

- 1694 Bank of England founded by William Paterson. Charter granted by Government for the formation of a Corporation to be called "the Governor and Company of the Bank of England." Charter granted for ten years on condition that the Bank should lend the whole of its original capital of 1,200,000 pounds to the Government, receiving in return 8% interest or 96,000 pounds and 4,000 pounds for management. The Bank received the right to issue notes to the extent of 1,200,000 pounds, and the authority to carry on banking business. Public invited to subscribe 300,000 pounds.
- 1708 Act of 1708. Monopoly granted to Bank of England. By this Act it became unlawful for "any body politic or corporate whatsoever, created or to be created (other than the said Governor and Company of the Bank of England), or for any other persons whatsoever, united or to be united in covenants or partnerships, exceeding the number of six persons, in that part of Great Britain called England, to borrow, owe or take up any sum or

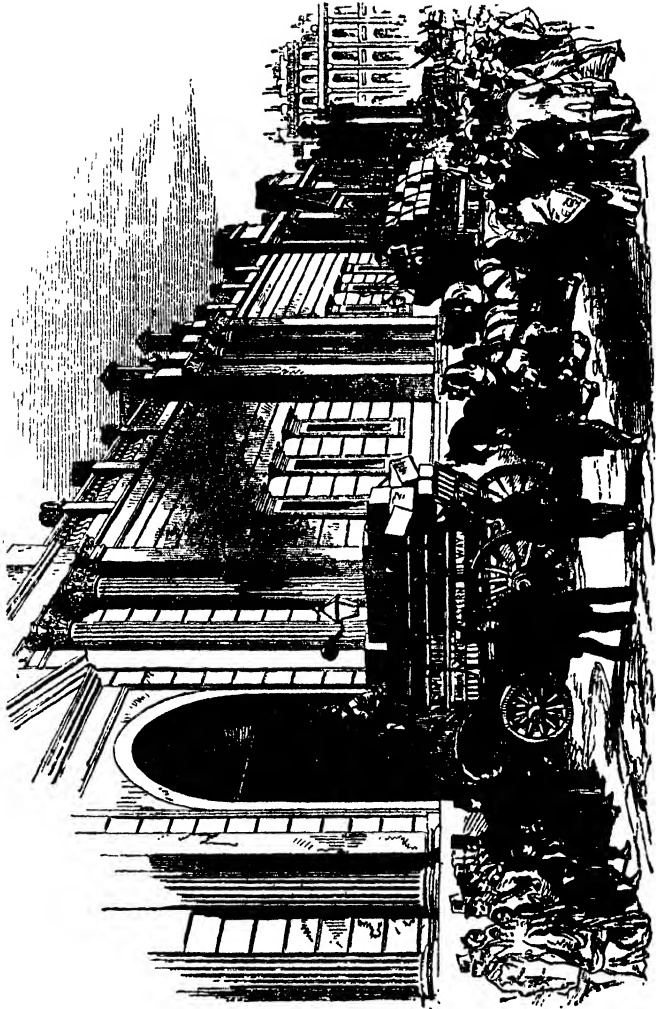


## APPENDIX

- sums of money on their Bills or Notes, payable on demand, or at a less time than six months from the borrowing thereof." This Act is one of the most important in the Bank of England's history, for it gave it the virtual monopoly of banking until 1826.
- 1709 Bank privileges renewed until 1732.  
Capital and note issue doubled.
- 1709 Government agreement with Bank to reduce interest on original capital of 1,200,000 pounds from 8% to 6% plus 400 pounds a year for expenses; Bank advanced fresh loan of 400,000 pounds at 6%, and Bank issued 1,775,027 pounds in Exchequer Bills at 6%. In return the Bank privileges extended for 21 years from 1711; and capital of 2,201,171 pounds to be doubled. Capital increased to 6,577,370 pounds.
- 1722 Reserve or "Rest" established.
- 1742 Bank Charter expired, and renewed.  
Capital raised to 9·8 million pounds.  
Bank lent Government 1·6 million pounds without interest.
- 1745 Exchequer Bills of 986,000 pounds cancelled in return for an annuity of 4% and new stock issued.  
Paid up capital increased to 10,780,000 pounds.
- 1774 Restoration of the coinage, which reduced value of gold to 77/6 per ounce, against 81/1 in 1772.
- 1775 London Clearing House started by private bankers.
- 1797 Cash payments suspended. Bank Restriction Act.
- 1810 Bullion Committee.
- 1821 Full gold standard re-established on basis of 77/10½ per standard ounce of gold.
- 1826 Bank of England gave up monopoly of banking

## APPENDIX

- except within radius of 65 miles of London.  
Various branches established.
- 1833 Bank of England notes made legal tender for any amount over 5 pounds.  
Monopoly of joint-stock banking completely surrendered by the Bank. No bank with more than six partners allowed to issue notes within a radius of 65 miles of London.  
Bank Charter renewed for ten years.  
Decision of Directors that one-third of liabilities should be held in bullion and cash and two-thirds in first class securities.
- 1838/9 Crisis due to gold drain to America. Bank of France discounted bills of exchange for 2,000,000 pounds drawn on twelve Paris bankers by Baring Bros.
- 1844 Bank Charter Act, 1844.
- 1847 Crisis due to speculation in railways. Failure of crops caused heavy imports of corn and export of gold. Bank Act suspended, whereby unlimited issue of notes against securities is permitted, but powers not used. Reserve under 2 million pounds. (Average reserve ten years 1845,55—9.2 million pounds.)
- 1857 Financial crisis in America. Failures of London banks and financial houses.  
Bank Act suspended and full powers used.  
Reserve dangerously low, (average 5.3 million pounds for year.)  
At time of actual suspension reserve was only 580,751 pounds and 5.5 million pounds owing to other banks.



ARRIVAL OF CALIFORNIA GOLD AND SILVER DOLLARS AT THE BANK OF CALIFORNIA.  
(A SCENE DURING THE CRISIS OF 1847)

## APPENDIX

- 1858 Average reserve 12 million pounds.
- 1865 Bank Act suspended. Bank Rate 8%.  
 Crisis due to shortage of cotton supply owing to the Civil War in America. Heavy exports of gold. At the same time dangerous speculative position developed. The use of machinery in industry was growing and many new companies were formed, involving big issues of capital—Growth of finance companies, formed with the object of making advances to industrial railway and other undertakings. Over-speculation, general rush to sell securities—Panic, many banks suspended payment and several important financial houses failed.
- 1866 The most serious failure, May 11th, that of Overend Gurney & Co. (Day afterwards known as "Black Friday".) Liabilities were over 10 million pounds.  
 Advance of nearly 4 million pounds made by the Bank of England on the one day alone, and the reserve fell from 5.7 million pounds to 3 million pounds.
- 1877 Treasury Bills first issued. Treasury Bills took the place of Exchequer Bills, a much older type of temporary loan.
- 1888 Goschen conversion scheme. The whole of the 3% consolidated stocks outstanding were converted into one stock carrying  $2\frac{3}{4}\%$  interest until 1903, and thenceforward at  $2\frac{1}{2}\%$ . Holders given the option of conversion or redemption at par, and those who accepted conversion were safeguarded against redemption or further conversion until 1923.
- 1890 Baring crisis, due to heavy commitments in Argen-

## APPENDIX

tine undertakings. Difficulties increased by a wave of speculation, many new issues of shares, and an unusually heavy drain of gold. There was heavy selling of Consols which brought the trouble to public notice. Bank Rate was raised to 6%.

A meeting was called at the Bank of England, and a guarantee fund of 10 million pounds raised. With the help of the Bank of France gold to the total of 4.5 million pounds was imported. The Bank Act was not suspended, and there were no bank failures, but public losses were heavy. The guarantors were relieved of responsibility in 1894. The firm of Baring Bros. was reconstructed.

### SECTION B. 1914-1931

- 1914 War declared Monday August 3rd (Bank Holiday).  
Bank Holiday prolonged for three days.
- 1914 To avert a serious financial crisis as a result of the outbreak of war a partial moratorium was declared on Sunday, August 2nd, and a general moratorium on the following day.  
Stock Exchange closed.
- 1914 Currency and Bank Notes Act 1914.  
Authorised the issue of Bank of England notes in excess of limits fixed by law at the discretion and under control of the Treasury.  
Issue of one pound and ten shilling Treasury notes.  
Bank Act suspended, but powers not used.  
July 30. Bank Rate raised from 3% to 4%.  
July 31. Bank Rate raised to 8%.  
Aug. 1. Bank Rate raised to 10% later reduced to 5%.

APPENDIX

- 1914 Currency and Bank Notes Act—Act passed in order to meet shortage of currency due to general nervousness and demand for gold by foreign nationals returning home. It gave authority to the Treasury to create an emergency currency by issuing one pound and ten shilling notes.
- 1915 National Debt (31 March) 1104·9 million pounds; increase on previous year of 455·2 million pounds by cash.  
American Dollar transactions.
- 1918 National Debt 5871·8 million pounds.
- 1918 Cunliffe Committee on Currency and Foreign Exchanges.
- 1923 National Debt 7742·2 million pounds.
- 1925 Committee on the Currency and Bank of England Note Issues.  
Gold Standard restored by Gold Standard Act 1925.
- 1928 Currency and Bank Notes Act, 1928.  
Note issues amalgamated in one issue under control of the Bank of England.  
New fiduciary issue fixed at 260,000,000 pounds, by which notes in excess of that sum must be covered pound for pound by gold.  
Act maintained the principle of the fixed fiduciary issue of the 1844 Act but at the same time gave power to the Treasury, on application of the Bank of England, to assent to an increase or reduction of the amount of the fiduciary issue, subject in the case of an increase, to the conditions that any such authority (1) should run for a period not exceeding six months, and (2) might be renewed or varied on

## APPENDIX

the representation of the Bank but not so as to remain in force for more than two years without the sanction of Parliament. Any authority for an increase of the fiduciary issue to be laid before Parliament.

1931 Year of political and financial crises.

Collapse of Germany's finances. Problem of unemployment in Europe and America. Partial drainage of gold from England. Credit of 50 million pounds with American and French banks.

(August) National Government formed.

Further credit of 80 million pounds raised in New York and Paris.

Crisis of Sept. (Sept. 19) Letter from Bank to Prime Minister and Chancellor ran as follows:

"I am directed to state that the credits of 125,000,000 dollars and 3,100,000,000 francs, arranged by the Bank of England in New York and Paris respectively are exhausted, and that the credit for 200,000,000 dollars arranged in New York by H.M. Government, together with credits for a total of five milliards of francs arranged in Paris, are practically exhausted also.

"The heavy demands for exchange in New York and Paris still continue, and in addition the Bank has been subject to a drain of gold for Holland.

"In these circumstances the Bank considers that having regard to the contingencies that may arise, it will be impossible for it to meet the demand for gold with which it would be faced by the withdrawal of support from the New York and Paris exchanges.

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“The Bank therefore conceives it to be its duty to represent that in its view, and for these reasons, it is expedient in the national interest that it should be relieved of its obligation to sell gold under the provisions of Section (1) Sub-section (2) of the Gold Standard Act of 1925.”

To this letter a reply was sent on Sept. 21 stating:

“His Majesty’s Government having given the most serious consideration to the letter, is of opinion that the Bank of England should place such restrictions on the supply of gold as the Bank may deem requisite in the national interest. It will be prepared to propose to Parliament forthwith a Bill giving indemnity for any such action taken by the Bank.”

1931 (Sept. 20) Bank Rate raised from  $4\frac{1}{2}\%$  to  $6\%$ . First time in history that Bank Rate was changed on a Sunday.

Forthwith Mr. Snowden,\* Chancellor of the Exchequer, brought in a Bill in the same month which was passed through Parliament to suspend the operation of Sub-section (2) of Section I of the Gold Standard Act of 1925, and for purposes connected therewith. The Sub-section of the Gold Standard Act read as follows:

“The Bank of England shall be bound to sell to any person who makes a demand at the head office of the Bank during the office hours of the Bank, and pays the purchase price in any legal tender, gold bullion at the price of three pounds seventeen shillings and tenpence halfpenny, per ounce troy

\* Now Viscount Snowden of Ickornshaw.



## APPENDIX

of gold of the standard of fineness prescribed for gold coin by the Coinage Act, 1870, but only in the form of bars containing approximately 400 ounces troy of fine gold."

Mr. Snowden's Bill was in three sections. The first suspended the subsection of 1925; the second proposed to indemnify the Bank of England for having acted upon the suspension; and the third read:

"It shall be lawful for the Treasury to make, and from time to time to vary, Orders authorising the taking of such measures in relation to the exchanges or otherwise as they may consider expedient for meeting difficulties arising in connection with the suspension of the gold standard."

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