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CHAPTER XMISCELLANEOUSENEMY BANKS (LONDON AGENCIES)

At the beginning of August, 1914, five German and Austrian Banks had branches in the United Kingdom. These were, the Deutsche Bank, the Dresdner Bank, the Disconto Gesellschaft, the Austrian Laenderbank and the Anglo-Austrian Bank.

On the 3rd August, immediately after a speech by Sir Edward Grey in the House of Commons, Lord Cunliffe ordered the police to place a guard over these Banks, to ensure that no attempt should be made to remove securities &c., before war was actually declared. (According to the Bankers' Magazine of August, 1917, the Governor took this action on his own responsibility. It is however not certain that he had not previously made the Government acquainted with his intention).

Shortly after the outbreak of war, licences were given to these Banks to continue their business for the sole purpose of completing pre-war transactions of a banking character, under the supervision of a Controller, Sir William Plender. The full story of the operations of the Banks and their eventual liquidation, as directed by the Treasury, will be found in the Controller's Reports dated the 16th December 1916 and the 13th December 1917.

The Bank of England endeavoured at one stage to intervene in order, if possible, to obtain the reversal of a decision which had been taken to sell the premises of the

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German Banks. The following letter was written to the
Chancellor by the Governor on the 26th January 1917 -

"My colleagues and I are a good deal exercised about
"a report that it is intended to put up the Deutsche
"Bank's City premises for sale in spite of the fact that
"that Bank has already discharged all its liabilities in
"this country. I understand that under the Act of
"January 1916 the Board of Trade has no option in the
"matter, but is compelled to realise all the assets of
"enemy-owned businesses in the country; and I fear that
"the Act itself will have done a good deal towards under-
"mining the confidence of the world at large in England's
"respect for private property. But we hope that it may
"still be possible to mitigate the ill effects of that
"Act by administering it with leniency; and I am desired
"by my Court to draw your attention to the serious results
"which may accrue to this city as the world's banker from
"the arbitrary alienation of private property.

"It would be easy, if Parliament so desired, to make
"it impossible for the Deutsche Bank to resume trading in
"London, and the Bank would then have to dispose of its
"premises, possibly at a lower price than could be obtained
"for them to-day, but it would have no ground for complaint
"that its assets had been sacrificed at war prices.

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"There may be other cases just as flagrant as that of
"the Deutsche Bank, but this is the only one to which my
"particular attention happens to have been called."

Notwithstanding this protest and that of the Banks
themselves, the premises of all three German Banks were sold
on the 19th June 1917 by auction.

A letter from the Chancellor had been read to the
Court on the 1st February stating that the decision already
taken could not be revised, "for reasons mentioned in
"conversation".

CHAPTER XMISCELLANEOUSTHE YORKSHIRE PENNY BANK LTD.

This Bank was incorporated on the 25th August 1911, when it took over the business of the Yorkshire Penny Bank. The shareholders of the Limited Company were a group of other bankers who held all the issued capital amounting to £1,250,000 (Paid up £750,000).

As part of the arrangements for the formation of this Limited Company, a separate group of bankers entered into a guarantee dated 24th August 1911 that they would meet any deficiency in the assets of the old Yorkshire Penny Bank beyond £600,000 up to £300,000 and that if there should be any further deficiency this should be borne as to one moiety by the guarantors and as to the other moiety by the Yorkshire Penny Bank Ltd., subject to the proviso that the aggregate amount guaranteed by the group of bankers should not exceed £1,000,000. This guarantee was entered into for a period of three years and was then extended for a further two years maturing 24th August 1916.

By that date the guarantors were liable for the full amount of £1,000,000 but there was already a further deficiency unprovided for and it was apprehended that still further provision might have to be made for the future. In these circumstances the Yorkshire Penny Bank applied to the Government to guarantee them against all deficiency beyond the £1,000,000 in question and £700,000 provided by the Bank and its shareholders. On the 29th June 1916 the Bank of

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England and the other Banks who had originally given the guarantee (or Banks now representing Banks who had done so) agreed to guarantee the Yorkshire Penny Bank Ltd. to the extent of £1,000,000 in respect of any deficiency which might appear in their assets upon the 30th June 1926 and in the meantime to pay interest upon the amount guaranteed at Bank Rate varying. The Bank of England's share in this guarantee was £223,214. The London County & Westminster Bank Ltd. guaranteed the same amount and ten other Banks made themselves responsible for smaller sums sufficient to aggregate £1,000,000. At the same time the Government agreed to guarantee any further deficiency until one year after the termination of the war. Provision was made that if the Government were released from their liability without being called on to make any payment under it, the guarantors should have the option either -

- (a) To pay up the amount for which they were severally liable with interest to date and thereafter be discharged from further liability, or
- (b) To continue their liability until 1926 with interest at 1 per cent below Bank Rate.

Note. The Government were not called upon to make any payment and upon the termination of the Government guarantee at the end of August 1922 the Yorkshire Penny Bank Ltd. offered to release the guaranteeing Banks at the same time. This offer was accepted by the Banks in question, whose loss was limited to the interest payments which they had made under the Agreement up to that date. (v. Agreement dated 1st September 1922).

CHAPTER XMISCELLANEOUSREPARATIONS

The Bank of England's share (up to the end of July 1921) in the interminable controversies and abortive proposals that followed the Treaty of Versailles was limited to a general support of the view that the peace and prosperity of Europe could not be secured until a settlement of reparations was arrived at; that a settlement should therefore be made without delay; that any such arrangement should form part of a settlement of all international indebtedness; that the burden imposed on Germany was excessive, but that Germany should be required to do what was possible by readjusting her own economic and financial position; that a considerable moratorium must be granted, and that the occupation of further German territory should be avoided.

The attitude of the Bank was thus practically identical with that of the British Government and, for this reason, and because the views of the Government were of course fully expressed through their Representative on the Reparations Commission, the Bank were not called upon to take any active part in these matters. They were, however, kept fully informed as to the progress of negotiations and made certain suggestions from time to time; but chiefly after the close of the war period here under review.

It will, however, be of interest to reproduce here two documents, the first being a letter containing Sir Brien

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Cokayne's views six months before the Peace Treaty, and the second a memorandum made by Mr. Norman nearly a year after the Treaty.

The letter which follows was dated the 12th December 1918 and was written at the oral suggestion of Sir Robert Chalmers (then Joint Secretary to the Treasury).

Dear Mr. Chancellor,

I do not of course know what line you intend taking at the Peace Conference about "Indemnities", and I realize that if our enemies are to be saddled with the payment of any annual sum that would approach their full peacetime capacity, you may wish to leave them in the best condition to begin making such payments as soon as possible, in which case you might hesitate to deprive them of any liquid resources which would form the basis of their credit.

But in case the payments to be exacted should not be of such a character as to introduce considerations of that kind, I hope you will bear in mind that, if liquid assets are to be distributed, this country, which has done more of the financing of the War than any of the other associated Governments and has sacrificed in gold and securities a larger sum than any of them, is entitled to the lion's share.

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The reason why I venture to trouble you with a letter on this question, which may appear to be mainly a political one, is that the Bank, on whom will fall the task of maintaining our gold standard after Peace, are deeply interested in the liquidation of this country's short indebtedness abroad. I refer especially to the neutral countries as I suppose special arrangements will be made about our American debt.

Although from the Bank's point of view any cash credit available in the foreign countries to which we owe money would be as serviceable as gold, yet I imagine that gold is the only really liquid asset that will be obtainable from the enemy and I therefore hope that if any of the enemy-held gold is distributed among the victors you will try to arrange that we receive our fair share of it, and that you will pardon my troubling you in the matter.

Mr. Norman's memorandum was made after a visit from M. Avenol (for a considerable time the French Financial Delegate in London), and is dated the 21st May 1920.

1. As to his (Avenol's) plans: I see no hope for Germany now to be able to borrow, say, £400 millions against future instalments of the indemnity - however much France may be in need of her share - I wonder if he is wise to turn down the idea that Germany should first

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borrow a very moderate sum for her own use (which she might be able to do from German interests) in America. I think any large Loan (his £400 millions) should be borrowed by France &c. on the security of the indemnity and not by Germany, and I think his persistent wish to avoid fixing the amount of the indemnity is wrong.

2. But, generally, what M. Avenol said gave me to think especially of the position between England and America and of what follows from it. I entirely agree with the policy that our dealings over War Debts with the European Allies should be separate from our similar dealings with America. But I see no reason why our (future) ability or intention to pay America should govern our (present) willingness to make promises on that score. Politically America is in no state to make long agreements which will stand, or be allowed to stand, the test of time. And yet our War Debt to America cannot be wholly disassociated from European conditions, for the idea that we should now begin and repay America in cash which (if we can spare it) is desperately needed throughout Europe, is not reasonable. So in any debt negotiations with America we should just mark time till conditions have cleared on both sides of the Atlantic.

There remains another point which should not be overlooked in this connection. I understand that as

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between England and France the proportion of 5 to 11 is pretty well agreed as regards dividing the indemnity. Therefore once the total indemnity shall have been fixed our eventual share in it can be defined and it would not be out of the way to fix the total so that our share of it would be equal to our War Debt to America. If that could be done in the near future it would only be a question of time before our War Debt to America could naturally be set off against our share of the indemnity, in one or other of several possible ways: e.g., we might forego any share in the proceeds of M. Avenol's £400 million International Loan and give our proportion of Bonds to America on account, or we might take from Germany a Bond for our whole share of the indemnity and hand it to America in payment of our debt.

To put it shortly: we should never pay in cash the principal or interest of our War Debt to America or make agreements when to do so: this debt was not incurred on our own behalf but on behalf of our Allies: we need no indemnity for ourselves from Germany: we should discharge our War Debt to America by means of our indemnity from Germany, an exchange which would be approved as right and equitable by the whole world.

CHAPTER XMISCELLANEOUSNORTHERN RUSSIAN ROUBLE NOTE ISSUE

During the latter part of the year 1918, great difficulty was experienced in financing the expeditions at Murmansk and Archangel owing to the confused Currency conditions in Northern Russia. Hitherto sufficient funds had been obtained by the sale of imported food stuffs, by the purchase of Roubles in London and also to a small extent by the use of British Currency Notes, but these sources were becoming exhausted so that an acute position was developing. Further, it was found that, while the purchasing value of the Rouble had fallen to a figure from $\frac{1}{20}$ th to $\frac{1}{60}$ th of the former value, the exchange value had only fallen to a figure from $\frac{1}{3}$ rd to $\frac{1}{5}$ th of the par value.

In order to meet the difficulty, the British Government decided to assist the Provisional Government of Northern Russia in the establishment of a new Rouble Currency. A scheme for a special issue of Notes was drawn up by Mr. J. M. Keynes (then of the Treasury), the outlines of the scheme being published in the newspapers of the 30th November 1918.

The scheme, which was based on a Sterling Exchange standard of 40 Roubles to the £ sterling, provided for the establishment of an Office of Conversion for the management of the issue, the Office of Conversion to be an institution belonging to and controlled by the Provisional Government of Northern Russia.

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Notes were issued on the following conditions:-

- (1) In exchange for sterling in London at the fixed rate of 40 Roubles to the £ sterling.
- (2) In exchange for old Rouble Notes at rates of exchange published by the Office of Conversion from time to time.
- (3) In exchange for Treasury Bills of the local Government, Notes so issued not to exceed one-third of the total Notes in circulation.

Holders of Notes could present them at any time to the Office of Conversion and receive in exchange a cheque on the Bank of England at the rate of 40 Roubles to the £ sterling.

The sterling obtained by the Office of Conversion in exchange for Notes had to be deposited with the Bank of England. The fund thus created became the inalienable property of the Office of Conversion and formed the backing for the issue; the issue was not guaranteed by the British or any of the Allied Governments other than the Northern Russia Provisional Government.

All Exchange operations in sterling were prohibited in terms of the old Rouble and no sterling exchange operations were permitted except through the Office of Conversion.

Imported food stuffs were sold only in terms of the new Rouble and payments to local authorities had to be made in the same medium so far as possible.

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The Notes were printed in London by Messrs. Waterlow and were surcharged in Russia with the signatures of the Director of the Finance Department of the Provisional Government and of a member of the Conversion Office. The general appearance of the Notes was similar to that of the old Notes so that they might be familiar in aspect to the local population, but the Notes were not facsimiles of the old issue.

Mr. E. M. Harvey of Messrs. Allen, Harvey & Ross was sent out by the Treasury as Financial Adviser to the Office of Conversion. The Office was opened in Archangel on the 29th November 1918.

At the request of the Treasury an account (with two sub-accounts) was opened at the Bank of England under the title of the "National Emission Caisse". Up to August 1919, sums to a total of about £1,500,000 were received for the credit of the account; by far the greater part of the money came from the British Government in respect of Notes issued to the expeditionary forces, the remainder being received from traders, &c., who desired to remit money to Russia. In the latter case the Bank of England cabled instructions to Archangel directing payment of the equivalent in Roubles to the payee designated by the trader.

The balance on the account was regarded as eligible for the special rate of interest which was being allowed at the time on "Foreign Money" and the surplus balance was accordingly employed in this way and, on occasion, in the purchase of Treasury Bills.

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In January 1919, arrangements were made by the Treasury under which the London Clearing Bankers agreed to collect Rouble Notes issued by the Conversion Office. In practice, Notes were always collected through Barclays Bank Ltd., who were appointed Agents of the Conversion Office; from time to time the sterling disbursed in this manner by Barclays Bank was refunded to them from the account at the Bank of England under instructions received from Archangel. On 30th May 1919, a regulation was brought into force whereby persons intending to present Notes in London for encashment must have certificates authorising them to do so from the Conversion Office or from the British Consul, Murmansk.

On 15th April 1919, Mr.G.M.Young was appointed President of the Conversion Office in place of Mr.E.M.Harvey who returned to England.

Owing to the decision to evacuate Northern Russia the Conversion Office in Archangel was closed on 15th September 1919 and transferred to Murmansk for a few weeks. A notice was issued on the 28th August by the Bank of England that sterling would not be accepted after the 1st September in payment for new Rouble Notes. On the 7th October, the Office at Murmansk was closed and the staff left for England.

Before the closing of the Office in Russia a very large number of cheques was drawn in redemption of Notes. The liquidation of the affairs of the Conversion Office was carried on in London at an office in Cookspur Street for several months after the arrival of the staff in England, but

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in May 1920 the office was closed and also the account at the Bank of England, all further business connected with the liquidation being conducted by the British Treasury.

CHAPTER XMISCELLANEOUSEXPORT CREDITS SCHEME

The first draft of this Scheme to which the Bank's assent was sought was produced in June 1919. It contemplated Treasury assistance to be extended through the medium of the British Trade Corporation.

The Governor of the Bank (Sir Brien Cokayne) strongly opposed the whole idea and formulated his point of view in a letter to the Chancellor dated 24th June 1919, which is quoted, nearly in full, below:-

". . . . I do not believe that this country can at present afford to export to countries which cannot pay, and I fear that in so far as we do so our necessary imports will either cost us so dear (through depreciation in our exchange) as to cause very severe distress, or will have to be financed by foreign (mainly American) credits which will probably be unobtainable without our Government's guarantees; if indeed they are obtainable at all when America sees that we merely take credits from her in order that we may in turn grant credits to other countries to enable us to compete with her for their trade.

"I think that our exporters should confine their sales to countries which can pay, of which there are still plenty. It is true that the competition to sell to such countries will be keener and the prices obtained from them lower than the credit prices obtainable from impoverished countries by those who can afford to wait for their money; but at a price I believe there will be a cash outlet for

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"all our exports - even for such as may only be required
"by the impoverished countries who will be able to obtain
"them on credit from our cash buyer.

"We must inevitably lose some trade for a time to our
"wealthier competitors, but the surest way to regain it
"and keep it is to allow our prices to come down to a
"point at which we can compete with all comers rather than
"encourage an artificial trade at prices which will not
"hold it.

"I have of course considered only the economic aspect
"of the matter - not the political which is no concern of
"mine; and I agree that, if for political reasons some-
"thing has to be done in the sense suggested, the present
"proposal to set up a Government Office to do such of the
"required business as cannot be done by private enterprise
"is preferable to either giving Government guarantees or
"giving the monopoly of the business to one City institution".

The Scheme was however brought into force on 9th
September 1919, the Board of Trade setting up a separate
Export Credits Department to deal with it. Very little
advantage was taken of the facilities (prior to the end of
August 1921), notwithstanding the fact that these were more
than once enlarged.

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The Bank were opponents of the Capital Levy, a proposal which was much discussed at various times and especially in 1920. In April of that year, upon the occasion of a Memorandum on the subject written by Mr. B. P. Blackett of the Treasury, a Memorial was privately presented to the Chancellor, signed by the Governor of the Bank of England and five other leading Bankers with a representative of each of the following bodies:- the Stock Exchange, London Chamber of Commerce, Accepting Houses Committee and an Insurance Company. This document stated that it was assumed a levy on War Profits was impracticable;* the signatories were impressed by the disadvantages of a general levy on Capital, and, though preferable to a levy, they did not favour a compulsory Loan.

They suggested as a means for reducing the Floating Debt (additional to surplus of revenue over expenditure):-

(1) a special increase of income tax and super-tax for, say, three years, to apply to all incomes over a certain amount with liberty to any individual to compound by one payment, and

(2) no reasonable opportunity of funding to be lost during the period.

Further the attention was drawn to the distressed economic position of Europe and the advisability of adjusting War Debts.

*The Report of the Committee on Increase of War Wealth was dated 13th May 1920.

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In reply the Chancellor sought to show that the proposed tax, if levied on incomes over £5,000 would bring in only £42,000,000 per annum; the Bank rejoined that the signatories had in mind a tax commencing far below this limit.

CHAPTER XMISCELLANEOUSREGULATION OF TRUSTEE SECURITY ISSUES

For many months from the spring of 1920 it fell to the Governor of the Bank to co-ordinate the public issue of Trustee Securities, in accordance with the desire of the Treasury and Ministry of Health, particularly as regarded Housing Issues. This arrangement was possible only through the goodwill and co-operation of the various Banks and Brokers concerned.

Without some such system Local Authorities would have been able to raise very little money for their Housing plans and the Government's Housing Policy would have been seriously crippled. It was necessary for the Bank to keep the stream of Issues regulated and continuous, and this was sometimes very difficult owing to the withdrawal of a Loan for which time had already been allotted. On the whole, however, the Bank were very successful and they received the thanks of the Minister concerned with Housing (Dr. Addison) in April 1921.

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BRUSSELS CONFERENCE 1920 (SEPT.)

"Then I would beg Gentlemen seriously to lay to
"Heart, and consider what an extravagant Power is here
"lodged in the Hands of a few private independent Persons
"what an Instrument may this be in the Hands either of a
"designing Prince or Subject what Disturbances and Con-
"fusions in a State may such a Treasure in ill Management
"create. God knows the Consequences of it, but however
"his Providence may over-rule it, I am sure we have no
"reason, in prudence, to depend, or expect they should
"not be perverted to ruin us. For granting that the
"Directors will be always Men of Integrity, yet this
"will not be an infallible Security, unless they could
"be placed out of the reach of Compulsion."

("A Short View of the apparent Dangers and
Mischiefs from the Bank of England." 1707)

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BRUSSELS CONFERENCE 1920 (SEPT.)

The Brussels Conference was organised by the League of Nations to consider the general economic situation of Europe and was suggested in Memorials presented to the British and other Governments by leading Bankers and Merchants at the beginning of the year. The Memorials were nearly identical and recommended such remedial measures as decrease in consumption, increase in production and taxation, balancing of Budgets, the avoidance of inflation and the granting of international credits (to the minimum amount necessary and with suitable safeguards). Reduction of international indebtedness and the danger of placing too heavy a burden on Germany and Austria were also urged. The results of allowing inflation to continue were pointed out and the subsequent course of events fully justified the forecast.

The British Memorial*, dated the 15th January, contained the signatures of three Directors of the Bank of England[†] and may therefore be fairly said to represent the Bank's views, which were further expressed in a letter from the Governor to Lord Cullen at the time of the Conference insisting that there were no panaceas but hard work, economy, high money rates and deflation slowly achieved. The Report of the Brussels Committee on Currency and Exchange on which Lord Cullen served was though short so valuable as to become a basis for the work of all subsequent financial Conferences.

*Vide copy in C.C.P. 71^D fo. 4^B.

[†]The Governor was asked to sign, but the Committee of Treasury was divided as to the advisability of his doing so.
(Minutes 7.1.1920)

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It recommended, among other things, that Banks should be freed from political pressure, and it upheld the beneficial results of allowing credit to be controlled by the normal influence of the rate of interest.

Lord Cullen wrote, however, that it was not without difficulty that a 'dear money' Report had been obtained from a 'cheap money' Committee.

CHAPTER XMISCELLANEOUSRUSSIAN DEBTS

(C. C. F. 85)

In the summer of 1920, it was understood to be the intention of the British Government to encourage the resumption of trade between Russia and the United Kingdom subject to certain conditions, among which was believed to be the recognition by the Russian Government of debts due and owing by Russian traders to British merchants and manufacturers.

A Government Statement made in the House of Commons on the 14th July gave rise to the impression that such debts were to be placed in a separate category and more favourably regarded than other debts.

In these circumstances the Bank were approached by Bankers and others interested with the request that they would represent to the Government that all Russian debts should be treated equally as regards recognition. The Bank considered this view of the matter justified and wrote strongly to the Chancellor (21/7/20) in support of this contention. They concluded by saying that a widely signed Memorial would be prepared should the Government desire further evidence of the general feeling on the subject.

Being unable to obtain a satisfactory assurance the Bank, on the 27th September, despatched a further letter, this time addressed to the Prime Minister and countersigned by the Chairmen of the British Bankers' Association and the Accepting Houses Committee. It was argued that the Russian

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Government should formally recognise not only trading debts but all debts owing to or held by British subjects, viz:-

1. Bonds or other obligations of previous Russian Governments,
2. Securities of Russian Municipalities, Banks and other Companies,
3. Trade debts incurred before or during the war,
4. Losses incurred by British subjects through confiscations made by the existing Russian Government.

No resumption of trade relations should take place until all valid and bona fide debts had been acknowledged.

The negotiations with Russia led to a provisional Trade Agreement, signed 16th March 1921, to be in force pending a formal general Peace Treaty, and in a postscript to this Agreement both parties declared that claims on either side incurred by the existing or former Governments of either country should "be equitably dealt with" in the general Peace Treaty; in the meantime the Soviet Government recognised in principle its liability to pay compensation to private persons who had supplied goods or services to Russia for which they had not been paid. The paragraph concluded: "It is clearly understood that the above declarations in no way imply that the claims referred to therein will have preferential treatment in the aforesaid Treaty as compared with any other classes of claims which are to be dealt with in that Treaty".

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With this somewhat negative realisation of their aims the Bank and those they represented had for the time to be content.

The possibility of opening a market for the sale of Soviet gold is a subject which has been dealt with elsewhere (Chap.5).

CHAPTER XMISCELLANEOUSREHABILITATION OF AUSTRIA

In the early part of 1921 the state of Austria was considered to be so unsatisfactory that the League of Nations were invited in March to study the problem. The League was informed that Great Britain, France, Italy and Japan had agreed to release, for a number of years to be determined later, their liens in respect of all claims against Austria, this decision being subject to the condition that the remaining 13 interested Governments should consent to a similar postponement and that Austria should be prepared to place her assets in the hands of the League.

The League's Report, forwarded to the Supreme Council on 3rd June 1921, was far-reaching and detailed. It set forth a comprehensive scheme including internal reform, sufficient credits and a central control of the latter. There were to be Temporary Advances, secured on "Ter Meulen" Bonds, to rank in priority to all other debts, and to be repaid out of the first proceeds of an External Loan. The currency was to be reformed through the creation of a strong and independent Bank of Issue; the personnel of the Civil Service was to be greatly reduced, various subsidies abolished, and an Internal Loan floated. The suspension of the liens for at least 20 years was insisted upon as an essential.

The scheme received the approval of economists and bankers, but political difficulties developed in various

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countries, particularly in France. In the negotiations that ensued the Bank of England took a large part*, using their utmost influence to secure the success of the scheme, making various suggestions regarding the raising of the necessary funds, and endeavouring to interest the Central Banks of neutral Nations. The Bank considered that if the credits and economic control of Austria were left to the sole care of the Entente there would result a perpetuation of the animosities arising out of the war, and they therefore desired that a predominant financial share should be taken by Neutrals and that the Controller of Austrian finance should be a Neutral.

The objects which the Bank were trying to secure were however defeated and an opportunity of saving Austria while her credit was relatively good was lost, conflicting political aims resulting in a failure on the part of certain countries to release the liens. For the time being the whole scheme was dropped.

*25th May 1921. The Governor informed the Committee of Treasury:-

That before long the French may be making an advance to Austria and it would seem advisable for this Country to do the same, in anticipation of a loan presently to be issued under the auspices of the League of Nations.

That the Government would have to go to Parliament for permission to make such an advance and he suggested for future consideration the possibility of the Bank making an Advance under the partial guarantee of the Government, the Advance to be repaid out of the proceeds of the loan when issued.

1st June 1921. The Committee agreed that the Bank should be committed to an eventual liability of three eighths of £2,000,000 in connection with temporary Advances to be made in one form or another to the Austrian Government in accordance with the Report of the Finance Committee of the League of Nations.

CHAPTER XMISCELLANEOUSUNCLAIMED STOCK, DIVIDENDS, REDEMPTION MONIES, &c.,IN RESPECT OF BRITISH GOVERNMENT STOCKSStock

An Act of 1816 (56 Geo. III cap. 60) provided for the transfer to the Commissioners for the Reduction of the National Debt of stock on which dividends had remained unclaimed for ten years, and the payment of lottery prizes or benefits and balances of sums issued for paying the principals of stocks or annuities unclaimed for ten years was also to be made to the Commissioners, Unclaimed Dividends Account. This arrangement, as regards stocks was confirmed by the National Debt Act of 1870 (33 & 34 Vict. cap. 71) and no change has since been made.

Dividends

Under an Act of 1845 (8 & 9 Vict. cap. 62) any dividends on stocks, funds or annuities unclaimed for ten years and upwards must be paid to the Commissioners for the Reduction of the National Debt. A change was made, however, by the Finance Act of 1921 (11 & 12 Geo. V cap. 32) into which the following section was introduced -

Section 49 (2)

"Section sixty-one of the National Debt Act, 1870
"(which makes provision for the payment of unclaimed
"dividends to the National Debt Commissioners), shall
"have effect as though for the first paragraph thereof

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"there were substituted the following paragraph:-

"Where any dividend accrued due on any sum of
 "stock is not claimed within such period as the
 "Treasury may prescribe, not being less than
 "twelve months or more than five years from the
 "date on which the dividend accrued due, the
 "'dividend so unclaimed shall be paid to the
 "'National Debt Commissioners. '"

The Treasury exercised the discretion so given them on 1st
 October 1921 when the Lords Commissioners directed that -

"Where any dividend due on any sum of stock to which
 "that section applies is not claimed within a period
 "of five years from the date on which it accrued due
 "or a period of one year from the date on which the
 "stock matures, whichever is the shorter, the dividend
 "so unclaimed shall be paid to the National Debt
 "Commissioners in compliance with the section."

Redemption Monies

Previous to the war no arrangement had been made or
 needed since the Act of 1816 already referred to. In the
 Spring of 1921 fresh proposals were received from the
 Treasury, in regard to which the Governor wrote to the
 Controller of Finance the following letter, dated 11th March
 1921:-

"I return the Memorandum on the subject of
 "Unclaimed Dividends and Redemption Monies. I understand
 "that the only question under consideration is that of the
 "latter, with which also the draft clause received by our
 "Accountants from the Treasury alone deals.

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"The most desirable course from our
"standpoint seems to me to be that Redemption Monies
"should lie untouched for 12 months so as to give ample
"time for even a forgetful claimant. After the 12
"months the money should be paid over to the National
"Debt Commissioners, who would remain liable for any
"claim established in respect of principal but not for
"accumulations of interest. This appears to me to be
"fair because no claimant can reasonably expect to be
"guaranteed his full principal in cash and also receive
"interest; and having regard to the wide fluctuations
"possible in the value of Securities, I should think it
"better to give him security of Capital rather than to
"make him for the sake of obtaining interest run the
"capital risk which such fluctuations would involve.

"Such an arrangement if approved should
"apply to both Registered and Bearer holdings.

"There is an alternative method of dealing
"with the matter which might perhaps be considered, viz.,
"to pay the Redemption Monies into a deposit account in
"the Post Office Savings Bank from which account every
"claim for a capital sum could be met with interest at
"the current rate from the date when such sum was paid
"into the account. I am led to mention this alternative
"for the reason that by far the larger proportion of
"unclaimed registered holdings consists of sums of £100
"or so, whilst of the Bearer Bonds still outstanding the

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"bulk are for £100 each, showing that it is principally
"amongst small, and presumably less experienced, holders
"that the omission to claim occurs, and the Treasury may
"consider it good policy to protect that class of holder
"from the consequences of their own ignorance or neglect.
"It is possible of course that failure to receive any
"further dividend will direct the attention of holders to
"the matter at the end of 6 months, and that the amount
"unclaimed at the end of 12 months would consequently be
"comparatively trifling."

This matter also was settled by the Finance Act of 1921,
Section 50 of which reads as follows -

"The provisions set out in the Third Schedule of this
"Act shall have effect for the purpose of carrying out,
"and in connection with, the redemption of any
"Government stock."

The Third Schedule referred to (paragraph 6) is as follows -

"Where any principal moneys which become payable on the
"redemption of any Government stock are not claimed by
"the stockholder within a period of one year from the
"date of redemption, the moneys so unclaimed shall be
"forthwith paid to the National Debt Commissioners,
"and when so paid shall be held and dealt with by the
"said Commissioners in like manner as dividends paid to
"them under section sixty-one of the National Debt Act,
"1870."

CHAPTER XMISCELLANEOUSBANK HOLIDAYS AND BANKING HOURSBank Holidays

The special Bank Holidays granted during the war period were as follows:-

| | | | |
|-----------|------------------|---|------------------------|
| Tuesday | 4th August 1914 | } | Moratorium Holidays |
| Wednesday | 5th " " | | |
| Thursday | 6th " " | | |
| Saturday | 1st January 1916 | | |
| Saturday | 22nd April " | | |
| Saturday | 1st July " | | |
| Saturday | 23rd December " | | |
| Monday | 1st January 1917 | | |
| Saturday | 7th April " | | |
| Monday | 2nd July " | | |
| Tuesday | 1st January 1918 | | |
| Saturday | 18th May " | | |
| Monday | 1st July " | | |
| Wednesday | 1st January 1919 | | |
| Saturday | 19th April " | | |
| Tuesday | 1st July " | | |
| Saturday | 19th July " | | Peace Celebration |
| Saturday | 27th December " | | |
| Thursday | 1st January 1920 | | |
| Thursday | 1st July " | | |
| Saturday | 1st January 1921 | | |

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The holidays on the 1st January and the 1st July, beginning with the 1st January 1916 and suspended in July 1921, were not holidays in the ordinary sense but were merely days upon which Banks were allowed to close their doors to the Public in order that they might carry through the extra work entailed at the end of each half year.

Previous to the granting of most of these extra holidays the Bank's advice was asked, and the Bank did not in general show themselves very favourable to the proposals.

The extra Christmas holiday in 1916 was in part compensation for the loss of holidays on Whit Monday, 12th June, and Monday, 7th August, (suspended by proclamations made in pursuance of the Bank Holidays Act 1871). A larger allowance of extra days had been suggested for the latter part of 1916 but the idea was discouraged by Lord Cunliffe.

In 1917 the Ministry of Munitions would have liked all public holidays for the year cancelled, but on this occasion the Bank opposed the omission of the Easter holiday in view of the strain to which Bank staffs had been subjected by the 5% War Loan. The Bankers' Clearing House wished the Saturday after Good Friday in this year to be made a Bankers' Holiday; the Governor resisted the suggestion (the acceptance of which would incidentally have allowed Bankers three days' extra interest on funds for the payment of the Second Call on the War Loan), but a general holiday was granted.

It was with the approval of the Governor that Saturday, 18th May 1918, the day before Whit Sunday, was made

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a holiday for Banks only, and on this occasion their staffs received the full benefit. In November 1919 the Bank, in consenting to a holiday on Saturday, 27th December, proposed that the Bankers' Close Days on the 1st January and 1st July should be discontinued, but they gave way upon pressure from the other Banks.

For various reasons the Governor resisted an attempt to make Easter Saturday 1920 a holiday, and in July of that year the Bank successfully opposed an application made to the Treasury by the Bankers' Clearing House for the holidays of the 1st January and the 1st July to be made permanent. The Bank pointed out that this half yearly concession had been made while the staffs of Banks were depleted by war service. They considered that if, upon the return to normal conditions, work could not be coped with, Banks should engage the services of additional staff and not avoid such additions by imposing inconvenience on the General Public. Such a course would form a dangerous precedent which might with equal justice be claimed for other large bodies of employees.

Banking Hours

In June 1919 the Bankers came to a unanimous decision to urge, as a tentative measure, the closing of Banks at 12 o'clock on Saturdays, for the second half of that year. The Bank acquiesced in the arrangement but not without a protest (v. Governor's letter to Dr. Leaf 20/6/19).

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The closing of Banks in the London District at 3 p.m. on weekdays other than Saturdays came into force on 1st December 1915. In July 1920 the Chancellor was asked in the House of Commons whether a return to pre-war hours was not advisable. The Bank, on being requested to give their views, suggested the postponement of any change until after the period affected by the Daylight Saving Act. No change however was made prior to 31st August 1921.