

Chapter III

RELATIONS WITH BANKS

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1. War-time Advances, etc.

Before the war, in the spring of 1938, the Bank of England gave some assistance in making arrangements for the cash and credit requirements of the War Office and possibly other Ministries. These matters were settled by September.

A year later, in September 1939, came the letter from the Chancellor asking the banks to restrict their advances except for war purposes. This was followed in 1940 by requests through the Bank that ample credit might be afforded in various directions to further the war effort.*

Before dealing with these mention may be made of certain arrangements made for the Glasgow Corporation, whose improvident methods of borrowing in the past had made their general position precarious in November 1939. To avoid default and danger to Local Authorities the Governor felt that it might be necessary for the Bank of England to give assistance in collaboration with the Scottish banks. He was successful in getting the latter to agree to provide for all the immediate needs of the Corporation up to March 1940, while the Corporation, for their part, undertook not to borrow for periods of less than 12 months. Their requirements up to the end of May 1940 were £11 million; and stock was to be issued to repay these advances as soon as might be possible.

In June

*Thus, in November the Ministry of Supply asked for special consideration for firms engaged on the production and treatment of home-grown timber.

In June 1940 the Governor informed the Committee of Treasury that he had forwarded to the bankers a request from the Government that if the finances of Local Authorities became strained by the war the bankers should neither restrict their credit nor raise their rate of interest. The bankers willingly agreed (adding that they regarded the suggestion concerning the rate of interest as uncalled for.)

On 24th June 1940 Lord Woolton, Minister of Food, wrote to the Governor that he was anxious that the food stocks of the country should go, so far as possible, into the hands of retailers and of the local and smaller wholesale houses in order to keep them away from the ports and large centres of population, where they would be more liable to destruction by enemy action. He asked the Governor to approach the banks with a view to facilitating the grant of extra credit to carry this stock. The Governor did so, adding that he had the Chancellor's approval, and the banks undertook to advise their Branch Managers.

In connection with the above the Governor wrote to Lord Woolton on 27th June promising support and agreeing that the building up of food stocks was of the first importance ... "but would you agree that at the same time the depletion of these stocks should be prevented by unnecessary consumption Indeed, if I may be candid, I am tempted to say that we are all living too well for the middle of a great war." On the following day he also wrote to the Chancellor, suggesting that consumption "should be curtailed far more drastically than hitherto".

Lord Woolton replied (28th June): "Of course you are absolutely right on the subject of living too well. I am just about to start what I hope will prove a successful campaign to urge people to cut down not only luxury feeding, but to recognise that the unnecessary consumption of staple articles of food constitutes luxury feeding just as much as having large and expensive meals in West End hotels."

In August 1940 Lloyds Bank (Andover), at some cost to themselves, granted the Bank credit facilities to meet Hurstbourne

cash requirements, giving every possible assistance. It was agreed in Committee of Treasury (7.8.1940) that a free deposit of £50,000 should be kept with Lloyds.

On 23rd October 1940 the Governor informed the Committee of Treasury that damage by enemy action to the London Office of the Union Bank of Scotland had prevented that bank from access to their securities for the moment. He had therefore granted a clean overdraft for such money as they needed, for which he proposed to charge no interest.

From August to October 1940 onwards, and on one occasion in 1942, complaints were made in certain papers and by individuals concerning the attitude said to have been adopted by bankers in respect of overdrafts, etc., to customers adversely affected by attacks on the coast. At the instance of the Treasury, the Bank of England made enquiries of several banks and received a great deal of information from them. The Bank were satisfied that the banks were adopting a sympathetic and lenient attitude and that there appeared to be no justification for the allegations made against them.

In August and September 1940 more general attacks were made on the banks by some newspapers and in the House of Commons, to the effect that the banks had made the war an opportunity to force some of their debtors to repay overdrafts or loans. The banks repudiated this suggestion, but the Governor thought there might be sufficient substance in it to make it advisable for the banks to circulate their branches on the subject, and a draft circular was drawn up at the Bank of England in mid-September:-

"There appears to be some misunderstanding, in certain sections of the Press and elsewhere, as to the attitude adopted by the Clearing Bankers towards the repayment of advances. It is apparently believed that customers are being pressed to repay or reduce the amount of outstanding advances and overdrafts without proper regard for individual needs or circumstances, or for present conditions.

"I am satisfied that this is entirely a misapprehension and that Branch Managers have shown understanding in avoiding a rigid application of the rules which prudence and experience may dictate. At the same time I wish to urge upon all Managers that the greatest care should be taken to avoid giving the appearance of an unsympathetic attitude or of the application of formal rules without regard to special circumstances arising out of the war. No action should be taken in pressing a customer for the repayment of an advance or the reduction of an overdraft without reference to Head Office."

The banks

The banks accepted the Governor's proposal and sent out a Notice which was substantially the same as that drafted by the Bank, or followed it in enlarging upon the necessity for great care. Some added a further paragraph stating that the Notice was not to indicate that the banks were to be imposed upon by debtors who were not adversely affected by the war but who were seeking to turn existing conditions to their own advantage and avoid obligations which they were well able to meet. A copy of the Notice was sent to the Chancellor.

Several individual cases of complaints were brought to the Bank's attention, but in most cases it did not seem that the banks had acted unreasonably.

The question of Local Government finances, referred to above (para.4) does not seem to have again arisen until towards the end of 1945, when the Clerk to the Huntingdon Rural District Council (one of the representatives of the Rural District Councils Association appointed to discuss housing questions with the Ministry) wrote to the Ministry of Health pointing out that whereas banks charged $3\frac{1}{2}\%$ on overdrafts they allowed no interest on accounts in credit. Loans could now be obtained from the Public Works Loan Board at rates from 2% for 5 years to $3\frac{1}{8}\%$ for 30 years and over.

An extract from the above letter reached the Bank (through the Treasury) and the Bank (E.H.M. 29.11.45) replied that they found it difficult to give general advice on a matter in which charges no doubt varied according to the nature of each account. In their opinion it was unreasonable to expect a bank to lend on overdraft, the amount of which was likely to vary from day to day, on the same basis as the Board, with whom the contract was a fixed one. "Speaking generally, it would not seem excessive for the banks to charge $3\frac{1}{2}\%$." The Treasury were reminded that banks, at the instigation of the Chancellor, had recently agreed not to allow interest on current accounts.

2. Control by Treasury and liaison with Ministry of Agriculture and Fisheries

The Defence (General) Regulations were amended on 22nd May 1940 in such a way that Regulation 55 gave powers to the Treasury under which they could control the banks.

This change seems to have been introduced to enable the Chancellor to give assurances to the House of Commons, but the powers taken were not used. The Treasury drew up a brief (annotated by the Governor) for the Chancellor in case he should need to refer to the matter in the House.

In September 1940 the Ministry of Agriculture and Fisheries asked the Governor to approach the clearing banks with a view to their appointing officers to visit War Agricultural Executive Committees, to hear complaints, and to be in a position to assure the Committees that farmers were obtaining all the short-term credit they needed for food production. Officers were selected and lists of their names sent to the Ministry through the Bank.

3. Paper Shortage

On 30th March 1942 the banks decided to keep their ledgers for 15 years only instead of 20 as hitherto; and the Bank considered whether they should fall into line. A reference to the British Records Association drew the expected strong protest against such action, and the Bank (Committee of Treasury 6.5.1942) decided to accept their advice*.

4. Overseas business

The Governor had always strongly opposed overseas banking by British domestic banks, but had found it impossible with the means at his disposal to prevent the affiliation of such banks with Clearing Banks.

*Drawing Office ledgers go back to 1694; P.D. ledgers to 1806; Securities Office ledgers to 1835; and Branch ledgers to the foundation of the Branch (except Hull: ledgers to 1834, branch opened in 1829).

Banks. In 1925 the Committee of Treasury had decided that the accounts at the Bank of England of such controlled overseas banks should be gradually closed and that there should be discrimination against their acceptances. The account of Barclays Bank (Dominion, Colonial & Overseas Branch) at the Bank of England had been closed by the Spring of 1926, but Barclays had never accepted the situation and had frequently protested. On 30th August 1939 the Governor informed the Committee that he had once more refused to take Barclays' (D.O. & O.) acceptances for discount.

In April 1943 Lloyds Bank informed the Governor that in accordance with the wishes of the Chinese they wished to consider the extension to China of their Eastern business. The Governor had replied that no Clearing Bank should encourage any such business and that the Clearing Banks should consider the disposal of their direct interest in various overseas banks by the formation of a Trust Company or by some similar means.

On 2nd June 1943, however, the Governor said that this question had been examined and that in present conditions no action could be taken. Without a public issue perhaps nothing could have been achieved, and the Capital Issues Committee would not have approved of one. Even if an issue had been permitted then or later it seemed doubtful that a Trust with only two investments - Barclays Bank (D.C. & O.) and Bank of London & South America Ltd., largely influenced but not completely controlled by Lloyds Bank - would appeal to the public.

The Governor's objection to the participation of British banks in overseas banking was, of course, based primarily on the risk that a crisis abroad might directly involve their credit. If it should, the Bank of England might have to support a particular Clearing Bank at a time when all Clearing Banks ought to be sustaining the general position and credit at home. Subsidiary objections were that the size of the big banks might become unwieldy and that the supply of men capable of administering businesses on so large a scale would be difficult to maintain. Moreover, undesirable finance paper might appear in the market, when branches were drawing on Head Offices.

5. The Eastern Exchange Banks

Ceylon

The Bank of Ceylon was founded with Government participation in order to help the internal credit requirements of small agriculturalists in Ceylon. It was not intended that it should operate as an Exchange bank, and indeed its Statutes expressly debarred it from such operations for a period of three years except with the consent of the Governor of Ceylon. The bank opened for business on 1st August 1939, and in the following month obtained the Governor's consent to exchange operations. The Exchange Banks Association thereupon protested and approached the Governor of the Bank of England.

The Bank of England requested the Treasury to see that the Exchange banks should not, without good reason, be driven out of their business of financing the production and shipment of tea. The Ministry of Food were quite prepared to use the Exchange banks, and the Colonial Office desired the Governor of Ceylon to explain his action. He replied that the business had been given to the Bank of Ceylon because it quoted better rates.

By the end of October it appeared to be generally agreed in London that to ask the Governor of Ceylon to reverse his decision might create further ill-feeling between the Bank of Ceylon and the Exchange banks and between the Indian population and the British. In November, however, the Colonial Office informed him that he should have referred the matter home before acting. He answered that the Exchange banks had made co-operation with them impossible by their unfriendly attitude to the Bank of Ceylon before its inception. The Colonial Office remained dissatisfied, defended the charges of the Exchange banks, and stressed the need for the establishment of amicable relations between them and the Bank of Ceylon.

By November the Ministry of Food was effecting some remittances to Ceylon through the Exchange banks and telling them that they would continue to be used so long as their charges were reasonable; while in December the Bank of Ceylon was given a concession of 5% of the tea business, a proportion which they protested was too small.

It was

It was apparently not until three years later (in January 1943) that the Bank of Ceylon was given a larger share, 10%, of the total export exchange handled by all the banks to cover tea, rubber, copra and copra products and graphite purchased on Government account. This arrangement was to remain in force for the duration of the war - an arrangement which the Governor of the Bank of England informed the Committee of Treasury was "a more reasonable but not entirely satisfactory method of allocating exchange business".

India

In October 1939 the Eastern banks raised the question of Government purchases of Indian tea and also of the, less recurrent, purchases of jute sandbags.

In both cases direct purchases between the two Governments appeared to be cheaper, the Government of India paying out rupees and reclaiming from the U.K. Government. These dealings had the approval of the Treasury, the India Office and the Reserve Bank of India.

The Bank of England, however, pointed out that this course would be inconsistent with the arrangements proposed concerning Ceylon tea and would deprive the Exchange banks of a valuable part of their business derived from the sale of telegraphic transfers at 1/64d. per rupee over the Reserve Bank's published tap rate for sterling. The Bank thought there was "possible danger to banking machinery in its ultimate consequence", though they were ready to pass the sandbags transaction. This had been made earlier and they thought that it could not then be altered, though a new order was coming forward. The Treasury wished to leave the decision to the India Office but the Bank maintained that it was a question requiring Treasury decision.

By the third week in November the India Office had agreed to allow the Exchange banks to finance tea and other foodstuffs; they obtained no redress in respect of the sandbags.

that far from extending any further credit to them through the Hongkong Exchange Control I shall require them to repay their present outstanding credit at the rate of \$1 million a month. If they

cannot

Hongkong & Shanghai Banking Corporation

Ref: Governor's Box File 6-28th
September 1940
130 EC 29/12.

This is a rather special case, and seems to demand separate treatment.

In September 1940 the Hongkong & Shanghai Bank had difficulty in covering their dollar position, and the Bank of England gave them facilities totalling \$8 million, which they were told must be regarded as repayable in September/October. Instead of being repaid, the Bank were asked to extend their credit by \$5 million, making \$13 million in all.

Difficulties originated with the Hongkong Bank's Manila business, and their London Office sent the Bank (G.L.F.B.) long extracts from a letter from their Head Office in Hong Kong explaining the origin and nature of those difficulties. The Governor, having also seen relevant Treasury correspondence, ~~in the Treasury correspondence~~
~~in the Treasury correspondence~~, wrote on 14.9.40 to Sir Horace Wilson:-

"As I have chanced to read certain letters dated from August 17th to September 2nd written by Hall-Patch in Washington to Rowe-Dutton, I must draw your attention to the position which may be arising in connection with the Chartered Bank and the Hongkong Banking Corporation.

"Hall-Patch on arrival in Washington has apparently been tackled by Branch Managers of these two Banks with the result that, although he is not concerned with the Exchange Control, he makes inter alia definite recommendations as to certain credit lines which should be extended to the latter in the form of "swaps".

"I realise that Hall-Patch will have some geographical connection with these Banks and I do not deny that any one of your officials has a right under present conditions to take out of my hands not only policy but practice in this connection. But assuming this change is not intended, I must point out that the Head Office of the Chartered Bank is in London and that of the Hongkong Banking Corporation is in Hong Kong (I can explain orally their differences in standpoint and attitude). Both Banks are dependent on the maintenance of their credit in this market. This credit depends on the attitude of the Discount Market. The Discount Market depends on the Bank of England.

"I therefore am responsible for the general credit of these two Banks and I am not willing (subject to your agreement) that the Exchange Control should be extending to one or other or both large lines of "swaps" which I and not Hall-Patch may later have to stand for. We have spoken to the Chartered Bank in this connection and make no comment but with the Hongkong Banking Corporation their position and claims are different. So much so that far from extending any further credit to them through the Exchange Control I shall require them to repay their present outstanding credit at the rate of \$1 million a month. If they

cannot

cannot or will not do so, it is for them to wait upon me and to explain their whole position with some softening in their attitude."

and again (after the Bank had received the information from Hong Kong):-

".... I offer no comment on these enclosures except, first, that even if such a short exchange position and such a short U.S.dollar position may have been justified in peace time I see no reason why they should be justified in war time (and in this instance the peace time position gives me a nasty shock); and secondly, that the remedy, if any is required by Grayburn and Barnes, lies in the last sentence of my letter."

Repayment did not take place according to the terms of the Governor's earlier letter; but the position improved steadily until the London Manager of the Hongkong Bank was able to write (14.2.40) - the War having, of course, meanwhile spread to the Far East - giving some account of the recovery and saying that they hoped to continue laying down funds in New York. They sincerely hoped that they would not have to draw on these funds, and intended to do their utmost "not to get into a tight corner again and have to ask for further assistance".

Apparently the Hongkong Bank managed for about four years to finance what Far Eastern business they had from their New York funds; at all events there seems to be no reference to further help from the Bank.

About two years later (Autumn 1943) the scale of expenses of the Hongkong Bank's New York and San Francisco Offices came under review and the bank were encouraged to cut these down as far as possible; and seemingly did so. They had in the meantime inevitably suffered losses; since, although they were not doing much current business, their American Staff (reduced from 62 to 28 in New York, and from 14 to 7 in San Francisco) were engaged in clearing up numerous outstanding problems; and there was always revival in the future to be kept in mind.

Early in 1945 the Hongkong Bank put forward applications for dollars to maintain the costs of these two Offices for the first six months of the year; and these were approved.

A close watch is still kept on the Hongkong Bank's Manila business. In the summer of 1949 the position was still being

cleared

cleared up but, with the gradual liquidation of outstanding claims on the U.S. authorities, has come to be regarded as satisfactory.

The war with Japan

The advance of Japan in the Far East caused considerable losses to the Exchange banks. By February 1942, the Hongkong and Shanghai Banking Corporation had lost about four-fifths of its branches and the Chartered Bank more than one half.

It had been reported by the Governor of Burma that the banks in Rangoon were almost completely deserted by their staffs and that they were about to transfer to Mandalay. The London Offices, the Bank of England and Government Departments endeavoured to stop this movement, if necessary by the use of compulsion, but the Governor of Burma stated that compulsion would merely mean that the remaining staff would disappear. The banks were then permitted to evacuate to Mandalay.

It was, however, the position in India which gave rise to fundamental considerations. The Governor obtained an assurance from the Reserve Bank of India that they would safeguard the interests of the Exchange banks, and ascertained that the Commonwealth Bank were not unduly anxious about the position of Australian banks in India. As regards this country, the Governor proposed that the Bank should continue to take freely the bills of the Exchange banks and give any additional support that might be needed. He also urged the banks to adopt a common policy on dividends, which all of them accordingly reduced. The Governor was, however, mainly concerned with the general position and future of the Exchange banks in India. In June he asked the Governor of the Reserve Bank whether it would be wise to propose to the Exchange banks that they should establish local boards with limited powers in India or alternatively conduct their business with Indian Rupee Companies through the Control in London. The Reserve Bank and Lord Catto preferred the second alternative.

Discussions on this subject culminated in October 1942, when a meeting was held at which representatives of the Exchange

banks

banks, the India Office and the Bank of England were present. In view of the political uncertainty the India Office could give no guarantees, and the opinions which they expressed were somewhat negative. The Governor again put forward the views he had already expressed, but the Exchange bankers were all inclined to think that the moment was not ripe for making any change. The Governor thought they had shown "more caution than precaution" (letter to India 23.10.42).

A final reference to these important questions in the Governors' files is a pencil note by Lord Catto (dated 18.9.44) which reads:- "No further action advisable for the present. The subject is one in which I take a deep interest, and must be kept alive."

6. Foreign Banks and the Stock Exchange

In May 1941 the Stock Exchange Committee were reviewing their commission arrangements. About eight years previously a list of banks had been drawn up, by a Committee, entitled to share Stock Exchange commissions, and the Stock Exchange Committee now proposed to remove the names of about 15 banks.

The matter was mentioned to the Bank of England by the Stock Exchange and also by one or two of the banks concerned, and on 23rd May Mr. Cobbold wrote to the Treasury on the subject. He said that the names of banks which it was intended to remove fell into three categories:

- (a) Banks regarded as unsatisfactory;
- (b) Those who had ceased or were ceasing business;
- (c) Those whose Head Offices were in enemy-occupied territory or in Japan.

A number of the banks in the third category were Authorised Dealers under the Defence (Finance) Regulations, and Mr. Cobbold proposed, with Treasury agreement, to ask the Stock Exchange not to take them off the list, ~~where he also thought that probably the whole of category (c) should be retained.~~ The Treasury agreed, and the Chairman of the Committee was informed accordingly by the Deputy

Governor,

Governor, who specially mentioned the Yokohama Specie Bank, the removal of whose name would be politically unwise, adding that there would be political advantage in retaining the names of the Swiss Bank Corporation and the Banco de Bilbao. The Stock Exchange raised no objection.

A little later the Bank were approached by the London & Eastern Trade Bank, who had been left out of the amended list. The Bank of England were shareholders in this bank, but the Governor thought it not worth while trying to get their name reinstated.

7. Misuse of banking facilities

In January 1942 the Inland Revenue called the attention of the Bank of England to the practice of cashing for customers ^(crossed or uncrossed) cheques drawn on other banks ~~by passing them through their accounts~~ without passing these cheques through their customers' accounts: the customer merely signed a form taking full responsibility for the cheque were it returned unpaid. This was a custom of long standing, but for a year or more it had seemed probable that during the war it was being abused by persons operating in the "Black Market" or anxious to evade taxation.

It seemed reasonable to the Bank that bankers should either cease to cash such cheques or ensure that an entry should appear on each side of the pass book; but enquiries made of the banks indicated that the custom, though well established, was not at all widespread. The returns collected from the banks were, it is true, far from clear and represented only a sample, but the Inland Revenue did not then feel that they should ask for banking practice to be changed.

In February the Clearing Banks circulated their branches concerning various forms of possible misuse of banking facilities*

and

*Other transactions meriting "discreet investigation" were the exchange of notes of £1 and 10/- for notes of high denominations and vice versa; issue of notes or Bank drafts for large sums to customers whose business did not normally require them; maintenance of banking accounts at several banks; and use of banks for safe custody of parcels, bank notes etc. The exchange of notes reduced the possibility of tracing notes from bank to bank, and thus might make registration of high sums more difficult for the Bank of England.

and reminded them that the exchange of cheques drawn on other banks was never intended to be more than an occasional convenience to customers. In some cases this practice had "degenerated from a convenience to an expected service" and had sometimes been used for Black Market transactions and tax evasion. Care must be exercised.

About this time it was arranged that any information concerning the misuse of banking facilities should be passed by the banks to Sir Edward Reid (a Director of Barings), who was acting as a Liaison Officer with the City for several Government Departments. His task was facilitated by the issue of Defence Regulation 80 A., which gave the Government authority to demand information in case of need.

Sir Edward Reid acted in this capacity until 15th October 1945, when he left M.I.5, Regulation 80 A. being repealed on 4.10.45. On being asked by Sir Edward how the liaison might be maintained, the Chief Cashier suggested that he should tell the banks to continue to report to the appropriate quarter any flagrant cases of misuse of banking practice which came to their notice: in cases of doubt they could refer to Sir Edward, who had told M.I.5 that they could still call on his services, or apply personally at the Bank. As a result of the arrangements made in 1942, apart from any question of Spies (M.I.5) or Black Market (Board of Trade or Ministry of Food), the Revenue Authorities themselves recovered over £6 million.*

The subject of "third party cheques" was then dropped for two years (until July 1944) when the Inland Revenue, on the occasion of a certain Income Tax fraud, again wished to find out what the bankers were doing and whether the encashment of such cheques was a proper facility. The Bank assured them that it might "well be regarded as such provided that it is used sparingly and without evil intent". They would, however, raise the question again with the bankers and would take steps to obtain the

co-operation

*CCP 10 (3.10.45).

co-operation of all members of the British Bankers' Association.

In 1942 the Clearing, Scottish and Irish banks only had been concerned, and the circular of 1942 was now sent to the other banks.

The Inland Revenue drew up a memorandum of their views which was circulated to the banks in August. The banks' reply (18th December 1944) was not very helpful. They were prepared to renew the instructions already given but thought there was no practical method of dealing with the matter short of terminating "a convenient and well-established banking facility" which they did not wish to withdraw. They did not deal with a suggestion that transactions could be recorded in the customer's account as an exchange. Neither the Government nor the Bank of England were satisfied, although it appeared that all but one or two banks were co-operating satisfactorily in passing news of infringements on to Sir Edward Reid.

Meanwhile, in November, the Clearing banks had again produced some figures of exchanges with a view to proving that these were not very many or of large amounts. But the statement appeared to be a return covering two days only at seven branches of a single bank and failed to make it clear that it excluded uncrossed cheques drawn on the branch where they were presented. It was even less helpful than the figures supplied in 1942.

At last, on the eve of Germany's collapse, the Committee of Clearing Bankers agreed, on 19th April 1945, to adopt the proposal to stop the encashment of such cheques, provided this was regarded as a war emergency measure and that they were free to explain to their customers that they were acting at the request of the Treasury. By the middle of May it appeared that all members* of the British Bankers' Association in Great Britain had agreed, and the Bank suggested that the new arrangement should become effective as from 1st June. It was introduced on 4th June and almost immediately drew a protest from Canadian Military Headquarters, who

were

*Except the Northern Ireland banks, who for various reasons were unable to join.

were issuing monthly thousands of sterling crossed cheques drawn on Canadian banks to recipients almost none of whom had a banking account in Great Britain. The possibility of inconvenience of this kind had been evident in 1942.*

Other protests were raised by various classes of the community and a number of exceptions were introduced in July in favour of salary and wages cheques, dividend warrants, etc.; cheques drawn by employees of customers; cheques up to £10 each; cash for the armed forces, clubs, etc.; and cheques issued by U.K., Dominion, Colonial and Allied Government authorities and U.K. local authorities for service pay, pensions and the like.

8. Banking statistics

Some further statistical information was extracted from the banks during the war. In November 1941, at the request of the Treasury, the Clearing Banks were asked to furnish returns of purely Personal Deposits. These were ^{said to be} wanted as "an important step forward in making an independent estimate of the volume of savings in the country".

The Clearing Banks produced some preliminary figures based partly on a 5% and partly on a 100% sample. Subsequently they agreed (8th September 1942) to supply half-yearly returns (100% sample) from December 1941. Figures were published, by agreement with the banks, in the ^{National Income (Keynes)} ~~White Paper~~ White Paper issued with the annual Budget statement.

In March 1943 the Governor took an opportunity to raise the wider question of banking statistics as a whole. A series of informal discussions at the Bank was inaugurated, in which the Bank was represented by Sir Otto Niemeyer, ^{and} the Treasury ^{by Sir Herbert Britain.} ~~by Sir Herbert Britain.~~

The only decisions taken were to provide the following -

- (a) The net amount of cash invested in or realised from the sale of British Government securities: quarterly returns, commencing with the quarter ended 31st December 1943;

(b)

*Midland Bank letter 26.6.42.

(b) The restoration and enlargement, after ^{the} war, of the analysis of Advances, suspended since ~~the~~ ^{its} outbreak, ~~.....~~.

Investments

The banks agreed (2nd September 1943) to give figures of direct subscriptions to new British Government securities (excluding Treasury Bills and Treasury Deposit Receipts) on the understanding (a) that returns should be required from all the non-Clearing Banks, to be consolidated with the aggregate figures of the Clearing Banks; and (b) that other groups of financial institutions should also co-operate (Building Societies, Insurance Companies, Discount Houses, Trusts, etc.).

In October 1943 the Governor wrote to the British Bankers' Association, the Discount Houses Committee and the Association of Investment Trusts. No action was taken by the Bank with regard to Building Societies or Insurance Companies.*

As a result of these arrangements, the Bank received and passed on to the Treasury (a) aggregate figures for all members of the B.B.A. (except the Bank of Ireland and the Munster & Leinster Bank Ltd. but including the Commonwealth Bank of Australia and the National Bank of Egypt); and (b) individual returns from (11) Discount Houses (sent to H.M.T. in aggregate). The Investment Trusts caused some trouble and did not produce their contribution until January 1945. They professed themselves unable, mainly through lack of staff, to follow up their first return; *and as their figures were negligible the matter was dropped.*

Advances

The revival of this analysis, allowing "a short interval after the war", was agreed to by the Clearing Banks on 6th April 1944. The figures were to be returned quarterly and in a new form. The original 13 items under which the yearly pre-war figures were published were extended to 25, the classification being largely on the lines of the industrial grouping used by the Federation of
British

*These were for the Treasury to approach. Nothing transpired about the Building Societies; but certain returns which the Insurance Companies had for some time made to H.M.T. satisfied the latter's requirements.

British Industries. The question of publication was left over for post-war consideration.

The first return was received by the Bank on ~~4-1-46~~ ^{4th April, 1946,} gave figures for February of that year, and was followed in due course by the figures for May and August. On 21st October the banks gave the August figures (only) to the Press for publication; whereupon the Central Statistics Office, who had received the February, May and August figures through the Bank, pressed for the release of the May figures also, to which the banks eventually agreed. Quarterly figures have been published regularly in the C.S.O. Statistical Digest since April 1947, which issue gave figures from February 1946 to February 1947 inclusive.