

Review of the first three years' work of the
Glasgow Control

The Glasgow Control opened for business on the 29th June 1940, and it very soon became obvious that the observance of the Defence (Finance) Regulations in Scotland left much to be desired. Our first duty, therefore, was to set about the education of the Joint Stock Banks, which involved a certain amount of discretion in order to overcome the somewhat sceptical curiosity with which the arrival of the Bank of England in Scotland was viewed locally. Our contacts with the Managers and other officials of the various Glasgow offices soon became harmonious and the weekly meetings which were held in the early days were found to be unnecessary after the first two or three months had passed. We had, however, to spread abroad beyond the confines of Glasgow the knowledge that the Control's office in that city had been opened for the convenience of bankers and others in Scotland and not merely - as some people thought - for their correction. To this end, therefore, I paid visits to Edinburgh, Dundee and Aberdeen in the late summer and early autumn of 1940 so as to explain personally to the bankers in the principal cities of Scotland what the Bank of England was trying to do and to assure them of our readiness to help and support them in any way we could. By the end of 1940 this educational campaign was more or less complete, although later on it was necessary to send representatives of the office to Dundee again, and also to Perth, and we had occasional difficulties with small branches, particularly in cases where, as still happens in some parts of Scotland, a solicitor in a country town acts also as the Agent of a local bank.

During this period some trouble was caused through letters being sent from Scottish addresses to the London Control, particularly by stockbrokers, solicitors and accountants. The blitz of the winter of 1940/41 helped to put a stop to this to some extent, because people in Scotland were naturally anxious to avoid the delays to correspondence which were occasioned by raid disorganisation, but

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we were forced, in addition, to make arrangements with Head Office that letters emanating from our territory should be returned to Glasgow for attention. This improved our status in the eyes of some firms who had been inclined to the idea that their own standing justified them in ignoring our existence.

The work of the Securities Section was the slowest to get going and this made us realise that our next task must be the education of brokers and solicitors, whom we found particularly ill-informed and in some cases recalcitrant when dealing with securities forming part of deceased estates. I therefore deemed it advisable to visit all the Stock Exchanges in our territory so as to explain to members their responsibilities and to answer questions on points of difficulty. The results were very satisfactory, particularly in the case of Edinburgh where the members had previously proved more difficult to deal with than those in any other city, and in this way brokers became familiar with their duties and our requirements; they pointed out, however, that in many cases they were not properly briefed by their solicitor clients and as this accounted for some of their mistakes I was asked if we could not also educate the members of the legal profession.

As the profession in Scotland is divided into a number of different societies (Writers to the Signet, Solicitors to the Supreme Court, etc., etc.) we took some time to find the best method of approach. Interviews with local firms in Glasgow helped and in one case a partner, whom I had summoned to account for a particularly serious offence, took particular trouble to learn the position and then to advertise our presence to his legal friends so that they might seek guidance when in doubt and so avoid trouble. He it was who put us in touch with the Editor of the "Scottish Law Gazette", which has a fairly wide circulation, and we were able to get items of particular interest published in that quarterly from time to time. It is only comparatively recently, however, that we were made aware of the existence of a General Council which looks after the position of all members of the profession in Scotland and deals particularly with problems arising from current Regulations. I went to Edinburgh in

May

May of this year to meet the Chairman and Secretary of that body and they promised to do what they could to promote co-operation between the Bank and the profession and, through their good offices, further information has been published in the July issues of the "Scots Law Times" which appears to be the official organ for Scotland.*

We next turned our attention to the various Savings Banks, which are, of course, relatively much more important in Scotland than they are in England. Proof of this may be obtained from a glance at the official figures, the last of which indicate that deposits in Savings Bank (other than the P.O.S.B.) in Scotland and Northern Ireland totalled approximately £173 million whereas in England and Wales, with a population about six times as large, the figure was only £100 millions greater. It was most desirable, therefore, that the Savings Banks in our territory should be brought more closely into touch with the Regulations and when the Treasury Instructions to Savings Banks were issued in the summer of 1941, it was agreed with Head Office and the National Debt Commissioners that I should attend an Area Meeting of the Scottish Trustee Savings Banks so as to explain the Instructions, answer questions and discuss in general terms the application of the Defence (Finance) Regulations to these banks in Scotland. This meeting was followed by another some weeks later to clear up points of difficulty which had arisen in correspondence in the intervening period and, although a good deal of work resulted both for ourselves and for the Savings Banks while their numerous non-resident accounts were being vetted, it proved well worth while and transactions have long since been reduced to matters of regular routine. At the original meeting I explained that we were out to help rather than restrict their activities and that we would give prompt attention to enquiries; it has subsequently been stated on more than one occasion that the Savings Banks are highly satisfied with the way in which these promises have been fulfilled.

What has been said so far may give the impression that

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*The Scottish legal fraternity (particularly in Edinburgh) have always been "difficult" so far as the Bank are concerned.

we were dealing almost exclusively with what may be described as the professional community, and were ignoring commercial and industrial concerns. This was by no means the case, however, and friendly relations with the principal Scottish Chambers of Commerce were established within three months of our arrival in Glasgow. The attention of traders was drawn to the existence of our Office by the then Vice-President of the Glasgow Chamber and, although there is only one contact which can be directly attributed to his remarks, in one way or another we were soon in touch with some of the largest concerns, e.g. Coats, the Linen Thread Company, Singers, all of whom, together with many members of the whisky and other trades, have readily availed themselves of our services to a greater or less degree ever since. Although some of these firms were already in touch with the Exchange Control through their London bankers they have often taken the opportunity to discuss at first hand problems arising from changes in the Regulations. For example, when control of the activities of certain overseas subsidiaries was introduced and letters on this subject were sent out from London, both the Bank and the parent companies were in this way saved lengthy correspondence in cases which involved a detailed explanation of the change in the subsidiaries' capital position due to wartime conditions. This aspect of our work is one which seems capable of further development as a means of helping in the re-establishment of overseas trade when the war in the west is finished.

Belfast

It must not be forgotten that at the end of September 1940 Northern Ireland was added to the territory for which we were made responsible and therefore, side by side with what has already been described, went our efforts to educate the Irish and to overcome troubles which might be peculiar to that country. In this case also our first approach was to the various banks and, on their recommendation, I got in touch during my second visit with the Belfast Chamber of Commerce with a view to meeting representatives of the Linen Trade, with whose affairs most of their troubles seemed to be connected. These people were represented to me as likely to prove

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somewhat difficult to handle but the original meeting and most of our subsequent contacts proved to be quite friendly and, although there have been instances where a strong line has had to be taken, for the most part co-operation has been achieved without undue difficulty by a policy of persuasion. In this connection I should like to pay particular tribute to the ready help which we have always received from Mr. R. W. Charlesson, the Chairman of the Linen Exporters' Association in Belfast. Regular visits to Belfast by representatives of this office were started in October 1940 and have proved particularly valuable in settling at personal interviews, both with banks and their customers, problems which could not easily have formed the subject of correspondence.

In our dealings with Northern Irish banks we soon came up against special problems caused by the fact that all except one have branches in the Free State; in three cases only are the Head Offices on "our" side of the Border and one bank (the Hibernian) has no office in Belfast, though there are six branches in other parts of Northern Ireland. We had to see to it, therefore, that all banks were treated alike as far as the Defence (Finance) Regulations were concerned, no matter where their Head Offices happened to be, and we had also to consider their peculiar position in being subject to two entirely separate Controls. To this state of affairs had to be added purely border problems, e.g. where people living on one side banked on the other or where a branch bank on one side had a sub-office on the other, and also the ease with which currency and/or securities could be moved to and fro on the person, thereby defeating some of the control exercised through Certificate "C". This particular problem could not be adequately dealt with until some liaison had been established with the Control Authorities in Eire, and for political and diplomatic reasons ^{the} / arrangements for this had (previously) to be made through Threadneedle Street and Whitehall as and when a suitable opportunity occurred. By September 1941, however, the preliminaries had been arranged and I was able to visit Dublin and there confer with representatives of the chief offices of the various banks and also - this being the main object - with the officials at the Department of Finance who operate the Control in

Eire

Eire. The first meeting with them was very formal and the atmosphere was rather strained but, once the ice had been broken and they realised that the Principal was there to discuss points of mutual interest rather than to interfere in their domestic affairs, the tension was relaxed. The Principal paid a second visit to Dublin three months later and it is now more or less tacitly assumed there that he should arrange to call at the Department every three or four months. When their confidence had been won it was possible to deal with difficulties much more freely and, although discussions were confined to the machinery of control and did not deal with general policy, the exchange of views both at meetings and in the intervals by means of personal letters proved of undoubted advantage to both sides in dealing with individual cases which do not justify inter-Governmental correspondence.*

Exchange transactions of a more or less peace-time type involving encashment of foreign currency notes and private remittances to and fro were introduced to us first when American technicians in large numbers came to Northern Ireland in connection with secret Admiralty and Air Force contracts and, later, when the first members of the American Armed Forces came to Northern Ireland for special training. In addition to the perfectly natural and legitimate transactions for which facilities were needed, opportunities for irregularities such as Compensation Agreements, illicit import of Bank of England Notes, etc., etc., inevitably arose simultaneously and it was fortunate that we had had plenty of time to establish close and harmonious relations with the Banks in Northern Ireland and were, therefore, able to rely on their assistance in bringing to our notice and dealing with each particular problem as it arose. This enabled us, in our turn, to keep London informed about the way in which the official arrangements agreed between the British and American authorities were working out in practice, as U.S. contingents in bulk seem to have reached Northern Ireland earlier than other parts of the United Kingdom. Fortunately for everyone concerned the Finance
Officers

*This was a very valuable contact with Eire, free from any political atmosphere such as might be created from direct London-Dublin approach.

Officers in charge locally proved to be very efficient and they showed themselves much more ready to co-operate with British banks than their opposite numbers who arrived with the later contingents in Scotland.

In both the countries for which we are responsible we found a fairly widely held belief that the Bank of England was in fact a Government Department and it seems to have been expected, therefore, that we should exhibit all the dilatoriness and love of red tape which are associated in the minds of so many people with the Civil Service. Being a small and compact unit, however, we have been able to keep all our sections in close touch with each other and, as the teleprinter provided a speedy method of reference to London in case of need, we have been able to confound most of the would-be critics by providing a quick and efficient service. In this way we have earned a reputation - which it is our constant endeavour to retain - for a sympathetic, though strict, handling of our responsibilities under the Defence (Finance) Regulations. The whole staff has co-operated in this policy and there have been many tributes paid to the courtesy and helpfulness displayed by those who have to deal with enquiries at the counter or over the telephone as well as at pre-arranged interviews. Naturally there have been occasions when a conciliatory approach on our part did not produce a corresponding gesture from the other side and I have not hesitated to take a firm line when persuasion fails, especially with those few people who have tried to frighten us by threatening to raise the matter with their local M.P.; none of these threats has been implemented as far as I know.

I feel it is necessary to stress particularly the method of approach which we have employed, as it is naturally very much more a matter of personal contact than is the case in London where conditions are so different. Here we were entering an entirely new field which made it necessary for us in effect to "sell" the Bank of England to the community if we were to do our job successfully. I am merely stating a fact - without expressing any opinion on the cause or on the merits of the case - when I say that in certain quarters in

Scotland

Scotland prior to the war the Bank had a bad reputation for being unnecessarily obstructive. This we had to overcome and we have therefore shown extra willingness to allow people to come and discuss their business personally when they felt it possible or desirable to do so - a plan which has saved much time and has enabled us to get an insight into the differences between Scottish and English law and to understand the Scottish point of view. Another feature which helped to establish better relations was that we were allowed considerable freedom of action and were able (to quote from a letter sent to me early in 1941) to "use our discretion in giving decisions or taking suitable action without having to wait upon the approval of Threadneedle Street". This created a very good impression and I submit that it is most desirable that we should be left as free a hand as possible, particularly in the immediate post-war period when the revolt against all forms of restrictive Regulations will be at its height and will call for added flexibility and perhaps a closer attention to local susceptibilities if control is to remain effective.

The personal element applies in some degree to the staff as a whole since, in one way or another, they almost all come into contact with some members of the public. It is particularly important, however, in the case of the Controllers, whose position is really much more akin to that of the Agent and Sub-Agent of a Branch than to that of Principals of an Office. Our duties bring us into frequent touch with the General Managers of the Scottish Banks and with other persons and bodies who have a prominent place in Scottish or Northern Ireland affairs and we are expected to show an interest in and an understanding of local conditions, as well as to be fully informed about official policy in connection with the Defence (Finance) Regulations. The second point is covered to a great extent by my regular visits to London which, when supplemented by refresher courses for section leaders, provide a satisfactory means of keeping up-to-date and in step with London. Arising out of these contacts we are very often in a position to gauge the opinion of the professional and business community in Scotland and Northern Ireland and their reactions towards post-war developments. I feel that were we given an

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indication as to the general lines on which an extension of exchange control into the post-war period is being considered, we could quietly pursue whatever course of action seemed most likely to be useful and could indicate the probable reactions of those in our territory who would be most affected by the projected changes.

In the foregoing paragraphs I have tried to present a general review of the development of the Glasgow Control and to deal with matters of principle only. Details are given in the regular reports which I submit quarterly or half-yearly, and the only one which need be mentioned here is the help which we furnish in connection with special consignments inward and outward bound. In this connection our relations with the Naval Authorities and with the Railway Officials concerned have been singularly happy and we know that we can also rely on the ready co-operation of the Royal Bank of Scotland when temporary safe custody facilities are required at short notice or out of the usual business hours.

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