

BANK OF ENGLAND



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ON THE OCCASION OF

THE FESTIVAL OF BRITAIN

1951



The Bank of England completed in 1939 to the design of Sir Herbert Baker

THE BANK OF ENGLAND came into being to provide funds for the war that was being fought between 1689 and 1697 by William III against Louis XIV of France. In return for a loan of £1,200,000 to the King the subscribers, who numbered 1,272, were granted a Royal Charter on the 27th July, 1694, under the title "The Governor and Company of the Bank of England".

The Bank of England Act of 1946 brought the Bank into public ownership, but provided for the continued existence of the "Governor and Company of the Bank of England" under Royal Charter. The affairs of the Bank are administered by the Court of Directors, appointed by the King and comprising a Governor and Deputy Governor, each appointed for five years, and 16 Directors, each appointed for four years. The Court may appoint four of their members as Executive Directors, who, together with the senior officials and a number of specialists as advisers, assist the Governors in the day-to-day management of the Bank.

Over the years the Bank of England has become the "bankers' bank" and banker to the Government. The description "bankers' bank" indicates that the principal banks in the United Kingdom deposit with it their reserves of cash. These are the great "clearing" banks, familiar to the public through their network of branches. Others that keep accounts with the Bank of England are the more specialised institutions of the London Money Market and the banks whose principal business is overseas; and finally the Bank's overseas customers, which are the central Banks of other countries.

In addition to its financial dealings with the Money Market, the Bank maintains close and continuous relations on matters of policy with the chief banking organisations such as the Committee of London Clearing Bankers, the British

Bankers Association, the Accepting Houses Committee and the London Discount Market Association, and with the other great City organisations such as the Stock Exchange and the Insurance industry.

Internationally, the close relationships developed with the Central Banks of the Commonwealth and other countries during the years between the wars are maintained and extended by personal contact at all levels.

In its capacity as the Government's banker the Bank performs four specific services.

First, it keeps the deposit accounts of the Public Departments and makes arrangements to meet the Government's needs for short-term finance.

Secondly, it keeps the registers of the National Debt, records all transfers of Government stock, and pays the dividends. On this task almost half of the staff are engaged.

Thirdly, it manages the issue of currency and its distribution throughout the country. In this the commercial banks and their branches play a large part, both in distributing new notes drawn in bulk from the Bank and in withdrawing the old or surplus ones.

Fourthly, it undertakes on behalf of the Treasury the administration of the Exchange Equalisation Account, established in 1932, and of the Exchange Control regulations, introduced in 1939, and consolidated by the Exchange Control Act of 1947.

These are the Bank's executive duties to the Government. In the advisory field the Bank is to-day, as formerly, the regular channel of communication between Whitehall and the banking world and the intimate consultant of the Treasury.

The Bank of England opened for business on the 1st August, 1694, with a staff of seventeen clerks and two doorkeepers. Its first home was the Hall of the Mercers' Company in Cheapside, with tables "furnished with pens, inke, paper



The Garden Court



and sand". Within a few months the accommodation was found to be inadequate, and in December of the same year the Bank moved to Grocers' Hall nearby.

To-day the Bank occupies a building of seven storeys above ground and three vault floors below; yet these premises, with a floor space of some 845,000 square feet, cannot accommodate all the staff of nearly 6,000 men and women. In addition the Bank has other buildings and also its own Printing Works, where a staff of nearly 1,300 are engaged in the printing of Bank Notes, Dividend Warrants and Treasury Bills, as well as the Bank's office stationery.

On the 25th April, 1694, an Act of Parliament was passed "for granting to their Majesties several Rates and Duties upon Tunnage of Ships and Vessels, and upon Beer, Ale and other Liquors; for securing certain Recompences and Advantages in the said Act mentioned, to such persons as shall voluntarily advance the Sum of Fifteen hundred thousand Pounds towards carrying on the War against France". The "Recompences and Advantages" (in return for subscriptions of £1,200,000 out of the total of £1,500,000 authorised) were to be the Bank of England's Charter.

The Charter declared that there should be a Court of Directors numbering twenty-six with the Governor and Deputy Governor, and it appointed the whole of the first Court by name. Thereafter the Court was to be elected yearly, the Governors on one day and the Directors on the next. Voting was to be confined to "proprietors" who held at least £500 Bank Stock in their own right. The constitution of the Court and the procedure for its election remained unaltered until the ownership of the Bank passed to the State on the 1st March, 1946.

Among a number of schemes that had previously been put forward for some kind of National Bank, the one that led to the founding of the Bank of England was William Paterson's. It was not well received—"some said it was a new thing and they did not understand it, besides they expected an immediate peace and so there would be no occasion for it. Others said this project came from Holland and therefore would not hear of it, since we had too many Dutch things already". Its passage through Parliament owed much to the efforts of Charles Montagu

(afterwards Earl of Halifax) one of the Commissioners of the Treasury, and of Michael Godfrey, whose influence with the City merchants was essential to success.

Godfrey was appointed the first Deputy Governor but within a year he was killed by a cannon ball in the trenches at Namur while visiting the King to discuss supplies for the Army in Flanders.

William Paterson became a Director, but resigned the next year after a dispute with his colleagues.

Charles Montagu, alone of the three co-founders, took no active share in the management. But as Chancellor of the Exchequer from April, 1694, to November, 1699, he continued to support the Bank through the critical years of its infancy. A statue of "Charles Montagu, Earl of Halifax, Chancellor of the Exchequer to William III", looks out from the Garden Court upon the Bank he played so great a part in bringing to life 250 years ago.

The Garden Court, around which the Bank is built, covers some of the site of the churchyard of St. Christopher-le-Stocks. The church was acquired by the Bank and pulled down in 1782 to allow for an extension of the Bank's premises and because the Directors of the day, alarmed by the Gordon Riots, felt that a flank exposed to the church and churchyard was insecure.

A bronze statue of St. Christopher in the Garden Court recalls the patron saint of the vanished church and commemorates the members of the staff who gave their lives in two World Wars.

Grocers' Hall, where the Bank had installed itself at the end of 1694, was not suitable as a permanent home. The Directors wanted to house the Bank in its own building, and in 1724 they bought an estate in Threadneedle Street that included the house and garden of their first Governor, Sir John Houblon, who had died twelve years before. The house itself was not well placed for conversion into the new Bank, being approachable only by an alley between other buildings. So those buildings were acquired too, and a site was cleared with an adequate frontage to the street. On the 5th June, 1734, two years after the foundation stone



"DIVIDEND DAY AT THE BANK OF ENGLAND", 1850

By G. E. HICKS

Dividend Day was once a well-known City event which brought people thronging to the Bank counters to collect their dividends on the Funds. Payment of Government dividends by attendance was finally abolished in 1910

Bank of England Archive (E6/8)

[From the painting in the Bank Collection]

was laid, business was transacted for the first time in the Bank's own premises. The architect was George Sampson, and it is curious that no record exists of the other activities of one who was capable of such distinguished work.

Thirty years afterwards the growing work of the Bank made it necessary to acquire the adjoining properties on each side, and the task of extending the façade and constructing additional offices was entrusted to Sir Robert Taylor. Among much that was memorable in his work, the Court Room was one of the few things left standing by his successor, Sir John Soane, and it is perpetuated to-day in the present Court Room, which almost entirely reproduces Taylor's design. It is there that the Court of Directors hold their meetings weekly.

After Sir Robert Taylor's death, Sir John Soane was appointed architect to the Bank, a position that was to keep him employed for forty-five years and establish his name in the annals of architecture. During that time the Bank's premises were extended to the present boundaries of Threadneedle Street, Bartholomew Lane, Lothbury and Princes Street; and their area was increased from one acre to three-and-a-half acres. Soane's life-work except for minor alterations remained until the total rebuilding that was begun in 1925. A statue of him, by Sir William Reid Dick, R.A., stands in a niche in the Lothbury wall.

The building was completed in 1939, the pace of the work being set by the need to carry on the business of the Bank without interruption. It was designed by Sir Herbert Baker, K.C.I.E., R.A., who had been the architect of the Parliament Buildings in Pretoria and of many of the Government buildings in New Delhi. The great windowless screen-wall, which surrounded and guarded the cluster of banking halls, squares and courts still remembered by many as the "old Bank", is all that now remains of Soane's building as it existed in 1925, although some of Baker's designs were inspired by or modelled on Soane's.

The Court Room, on the first floor, is thought to stand nearly over the house and garden of Sir John Houblon. Another link with Sir John survives in the gold and scarlet gown of the Gate Porter and the pink tail-coats and scarlet waistcoats of the Messengers. These uniforms, which were introduced three years after the Bank's foundation, are in the style of the livery worn by the servants in Sir John's household.

John Houblon, the son of a Huguenot refugee who had become established as a merchant in London, had set up in business in a house he built in Threadneedle Street soon after the Great Fire of London, 1666. In 1689 he was elected an Alderman of the City of London, and was knighted by the King in the same year. He was Master of the Grocers' Company from 1690 to 1691, and while shouldering the onerous duties of Governor of the Bank during the first three years of its life, served from 1695 to 1696 as Lord Mayor of London and from 1694 to 1697 as a Lord of the Admiralty.

The diarist Samuel Pepys, who was an intimate friend of the Houblon family, described Sir John as an "industrious merchant"—a tribute with the flavour of an understatement.

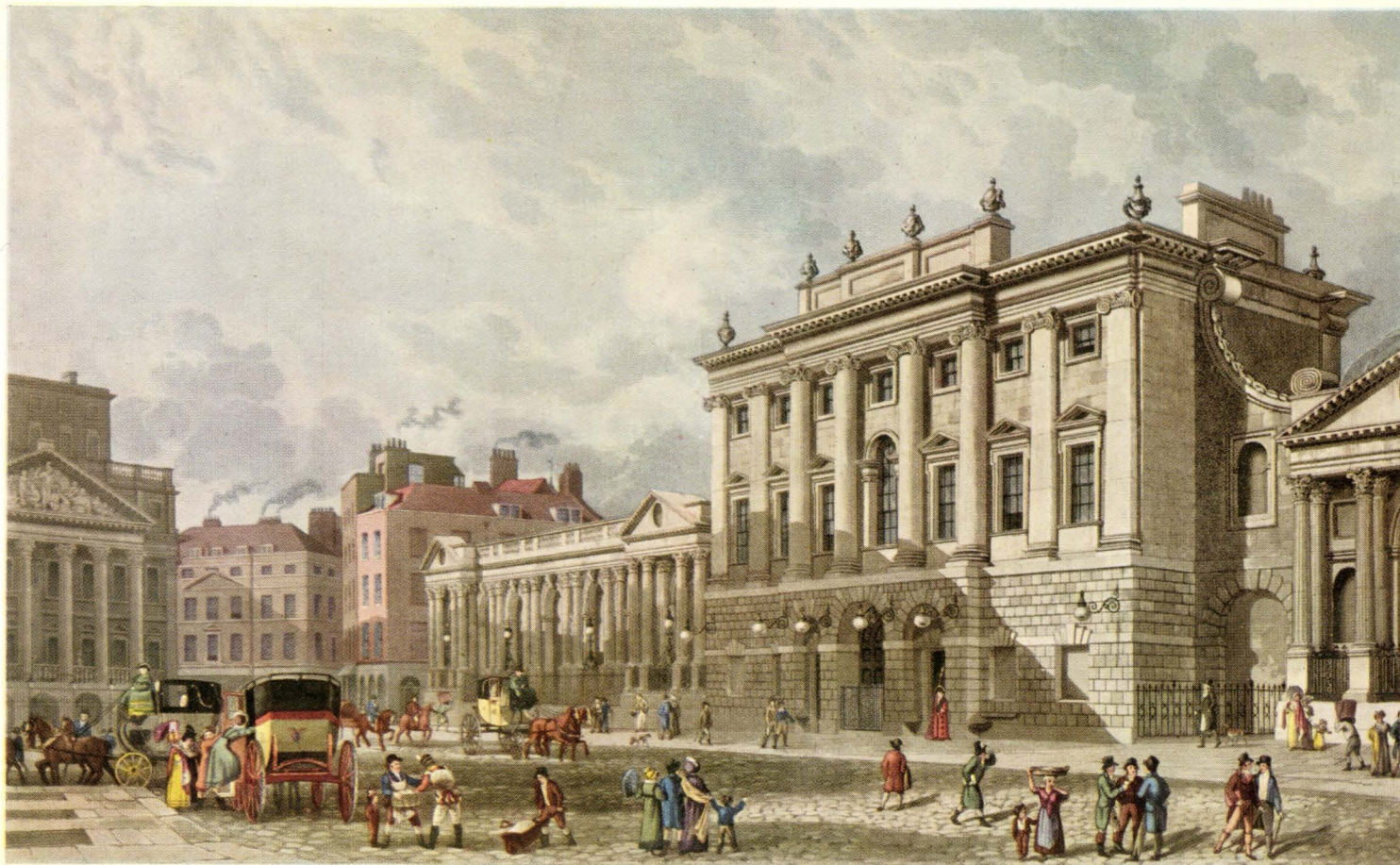
Just five years after the Bank's foundation, an eminent Irishman of letters, John Toland, wrote that the Bank was "esteem'd so sacred a depository" that even foreigners thought their "Treasure" safer there than in their own country. He was not referring to the material structure, however strong or well guarded it was, but to the reputation for integrity that Sir John and the members of the Court of Directors had so soon established.

In recognition of the part played by the first Governor a silver tankard was presented to him, inscribed—"The gift of the Directors of the Bank of England to Sir John Houblon, Governor, Lord Mayor of London, in token of his great ability, industry and strict uprightness at a time of extreme difficulty. 1696".

This historic tankard, after many wanderings, was acquired by the New York Clearing House Association in 1893, and in 1924 the members of the Association generously gave it to the Bank.

The early years of the Bank were beset with difficulties. There was political opposition, obstruction by the goldsmiths, shortage of money during the recoinage in 1696, the threat of establishment of a rival in the ill-fated Land Bank, and the Government's insistent clamour for more money.

Firmer ground was reached, however, in 1697, when the life of the original Charter was extended and certain new privileges were granted; and so they



The Bank, before the rebuilding by Sir John Soane

continued with little substantial change until the second quarter of the nineteenth century, when new ideas on the rights and duties of a Central Bank were expressed in laws that opened the ordinary business of banking to free competition, but concentrated exclusively in the Bank the note issue in England and Wales.

The 18th century, though in the main a time of prosperity, had days of public panic when all the Bank's resources had to be employed to avert disaster. Against a background of continuing anxiety because of the military power of France, the threat of Jacobite rebellion to restore the exiled Stuarts persisted for almost the whole of the first half of the century. In 1709 political changes led to weeks of rioting in London, and mobs seeking to assault the Bank were dispersed only by the approach of the Guards hastily summoned from Whitehall at the request of the Directors. In 1715 there was actual invasion, and this happened again in 1745, when the Jacobite forces got as far south as Derby, causing a brief panic in London. There was the fantastic growth and collapse of the South Sea Company in 1720, when the Bank had considerable difficulty in maintaining its own credit. Another attempt on the Bank was made in 1780 by a mob of rioters headed by Lord George Gordon, in agitation against an Act that had removed some of the disabilities suffered by Roman Catholics. After destroying Newgate Prison the mob unaccountably delayed for a day before attacking the Bank, and so gave time for Horse and Foot Guards, sent by the Government at the request of the Lord Mayor, to come to the aid of the defence. The two attacks finally made were beaten off.

It is from the days of the riots in 1780 that the Bank's nightly military guard dates. Of the 530 soldiers sent by the Government to defend the Bank, 50 were stationed inside the building; and so that came to be the strength at which the nightly guard was first established. But it has been gradually reduced to about 20. At first the Guard was unpopular in the City. The Lord Mayor and Aldermen, considering it a slight on their powers of guarding the City, once attempted to have it abolished. But with the passing of years the dislike faded, and to-day the marching of a detachment from one of the regiments of the Guards along the City's streets to take up duty at the Bank at six o'clock each evening is a familiar and popular spectacle.

During the Napoleonic Wars, which were very costly in gold, a cartoon by James Gillray depicted William Pitt the Younger, who was Prime Minister and

Chancellor of the Exchequer, attempting to get possession of the Bank's gold from an elderly lady seated on a locked box. It was called "Political Ravishment, or the Old Lady of Threadneedle Street in Danger". Earlier in the year R. B. Sheridan, the dramatist, had referred to the Bank, in a speech in the House of Commons, as "an elderly lady in the City of great credit and long standing . . ."; and so the Bank's familiar nickname, "The Old Lady of Threadneedle Street" dates back at least a century and a half.

During the second quarter of the 19th century the Bank of England opened branches in fourteen towns. Some were closed long ago; others more recently. To-day there are seven country branches and one in London, at the Law Courts. The Bank's branches helped to meet the rapidly growing needs of industry and commerce; but it was seen that the essential reform needed in the banking system was to remove the right to issue notes from a multitude of small bankers and confine it to one central institution.

This was provided for and gradually achieved by the historic Bank Act of 1844. Under the same Act the issue of Bank of England notes was separated from the general banking business of the Governor and Company. It was assumed that the Bank would continue to keep commercial and private accounts; but as a result of the experience and developments during the remainder of the century the Bank gradually emerged as banker to the State and Central Reserve Bank for the country. Its activities as a commercial bank diminished until to-day it does relatively little private or commercial business.

The First World War saw the rise of the National Debt from about £706 millions in 1914 to nearly £7,480 millions in 1919—a tenfold increase. The huge War Loans floated by the Government and managed by the Bank required an addition of more than 1,200 to the staff. By the end of the War the staff had been nearly doubled, and soon afterwards the total rose to three times its pre-war size. Temporary offices were occupied in several widely-separated buildings in the City. The Chief Accountant's Department, where the Government Stocks are managed, was and still is accommodated in Finsbury Circus.



The Guard leaves the Bank on a Spring morning, 1939

By H. S. Kortright, R.B.A.

The outbreak of war in 1914 also opened wider the Bank's door to the employment of women. The first two were engaged in 1893. By 1913 their number had grown to 65, and by 1920 to 450. To-day there are nearly 3,500 women on the staff.

During the Second World War the National Debt rose from £8,163 millions to £22,505 millions. Some measure of the work entailed by the rise in the National Debt may be gathered from the fact that the General Card Index, which records the full names and addresses of every stockholder, contains over 4 million cards, and that the register for 3½ per Cent. War Stock alone records over a million stockholders. And it is estimated that the nationalisation of coal, transport, electricity, gas, and steel, when completed, will have added to the Bank's books one and a half million holders of Stock issued in compensation.

On the outbreak of war in 1939 some sections of the Printing Works and about 600 men and women from the offices in Finsbury Circus were moved to Hampshire for the duration of the war. The numbers increased to well over 2,000 in 1941-1942.

The Bank in Threadneedle Street suffered only one direct hit by a high explosive bomb. Work there continued throughout the attacks on London and arrangements were made for five hundred of the staff to work, eat and spend the night in the security of the vaults.

Over 2,200 men and women of the Bank's staff served either in His Majesty's Forces or on National Service in Civil Defence, Nursing, Agriculture and Industry. Sixty-six lost their lives, and their names are recorded on two panels of the piers that form the central opening between the inner and outer entrance halls in the main vestibule. Here, too, are carved the names of the 413 members of the staff who served in the Forces during the First World War, and the seventy-two men who then gave their lives are commemorated by name on a bronze plaque at the foot of the statue of St. Christopher in the Garden Court.

Once before in the Bank's history, when Napoleon stood on the opposite shore of the English Channel, the threat of invasion had constrained the Directors

to make plans for security. Then, as more than a century later, precautions were taken to ensure the safety of the nation's gold; for one of the Bank's functions has always been to act as custodian of the country's gold reserves.

A gold bar, normally shaped rather like a brick, weighs approximately 400 ounces troy, and at the present price of gold is worth about £5,000. The fineness, or "assay", of the gold is computed to one part in 10,000, and bars are weighed to 1/40th part of an ounce; and while the most modern methods of handling, calculation and recording are in use for dealing with gold, the scales on which bars are weighed are upwards of 70 years old, their accuracy and speed of weighing being unimpaired.

The disappearance of golden sovereigns and half-sovereigns from circulation began during the First World War, when Currency Notes for £1 and 10s. were issued by the Treasury through the Bank. Currency Notes, which bore the signature of the Secretary to the Treasury, first Sir John Bradbury and later Sir N. F. Warren Fisher, were superseded in 1928 by Bank of England Notes bearing the signature of the Chief Cashier.

Until 1943 the Bank issued Notes also for £5, £10, £20, £50, £100, £500 and £1,000 (and £200 Notes until 1928). The issue of Notes for £10 and upwards was then discontinued, and although the larger ones are still payable on presentation at the Bank, only those for £5, £1 and 10s. remain legal tender.

As the note-issuing authority of the country the Bank handles hundreds of millions of notes in the course of a year. During one year the total weight of new notes issued and used notes received by the Bank has amounted to as much as 1,900 tons. Those considered to be unfit for further issue are destroyed by pulping. Nowadays notes are kept in circulation for as long as they remain serviceable and this necessarily causes some falling away from the high pre-war standard of cleanliness.

An interesting duty that belongs to the business of note-issue is to consider and adjudicate on claims for replacement of notes that in one way or another have



Sir John Houblon, first Governor

[From a mezzotint in the Bank Collection]



The tankard presented to Sir John Houblon, first Governor, and now in the Bank's possession

[Copyright Bank of England]

been mutilated or destroyed. Occasionally examination of the remains of notes charred or otherwise damaged has revealed a greater value than the claimant had realised, and payment has exceeded the original claim.

Down to 1914 it had been the practice for the Deputy Governor to be chosen from the Court of Directors, to serve for two years, and then for two more years as Governor. This routine was broken by only three Governors in the 18th century and five in the 19th, who were given an extra year for various reasons; but ninety-four Governors followed the rule, and only two Deputies ever served for three years. The First World War kept the Governor in the Chair for five years (1914-1918), but his successor reverted to the old two-year term. And then, in 1920, began the Governorship of Montagu Collet Norman—later to become Lord Norman—which ended in 1944.

During his 24 years as Governor the Bank changed more in functions and structure, though not in spirit or purpose, than in the previous two centuries of its existence. The restoration of stable conditions in Europe after the First World War; the help given by encouragement, advice and personal contact in the establishment of Central Banks in Canada, South Africa, India, New Zealand, and in the development of the Commonwealth Bank of Australia; the maintenance of close relations with the Federal Reserve system of the United States; the constant effort to keep the currencies of the world in balance—these were but a few of the objects for which the Bank worked under the direction and inspiration of Montagu Norman.

After the First World War some of the basic industries dependent on the export market were in great distress, and in 1930 the banks and financial houses, under the leadership of the Bank of England, came to their assistance. In the Securities Management Trust Montagu Norman collected a group of industrial experts to advise on plans of reconstruction, and the Bankers Industrial Development Company was formed to provide the finance. The Bank took part also in the formation of the Agricultural Mortgage Corporation and other companies to assist agriculture and industry. After the Second World War the Bank played a part

in creating two new institutions, the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, for the especial purpose of assisting industry in the post-war period.

In a niche on the north façade of the Garden Court a statue of Lord Norman commemorates one whose share in the past history of the Bank was greater than that of any other and whose influence on its future will last for many years to come.

Over two centuries and a half the Bank of England has developed in a typically British way into something quite different from what it was to start with, but without any kind of revolution and with experience taking the place of any elaborate written constitution. Tradition plays its part—there is still in the Court Room a wind-vane, which in the days of sailing ships warned the Directors of likely delays in arrivals in the Port of London, and so helped them in estimating the day-to-day demands for money. Though only a relic now, it serves as a reminder that foresight and business skill are not purely modern arts and that, though methods may change, the past is not lightly to be disregarded.

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