



BANK OF ENGLAND

News release

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Quarterly Bulletin pre-release article: The demise of Overend Gurney

On 10 May 1866, 150 years ago, Overend Gurney – one of the largest bill brokers in the City of London – failed, an event that has often been compared to the run on Northern Rock in September 2007. The article looks back at these events, considering the causes of the downfall, the actions the Bank took to help stem the panic and the lessons that remain important today.

The seeds of Overend Gurney's demise had been sown many years earlier. Despite its profitable bill broking business, Overend Gurney had been on the brink of failure for some time, incurring enormous losses from the bad loans it had extended with little credit risk assessment. In 1865 in an attempt to salvage Overend Gurney, its partners had converted the broker to a limited liability company. But ultimately, the combination of more generalised economic instability, some unfortunate rumours and a court case which ruled they could not collect from a debtor pushed Overend Gurney into failure.

On 9 May 1866, Overend Gurney asked the Bank of England for assistance, which was refused on the basis of the broker's insolvency; it suspended payments at 15.30 on 10 May 1866. Overend Gurney had been larger than its three next largest competitors combined and the failure sent shockwaves through the financial system. To mitigate the panic that followed the Bank of England, a private bank at the time, extended the largest market-wide lending it had ever done and drew heavily on its own reserves. Bagehot praised the Bank for accepting its lender of last resort role, setting an expectation that the Bank would act in the same fashion in similar circumstances in the future. The best way to carry out central bank lending has been the source of academic and policy debate ever since.

The URL for the article (which will be live from 12.00 (BST) Tuesday 5 July) will be [here](#)

The rest of the Q2 edition of the *Quarterly Bulletin* will be published at 12.00 (BST) on 12 July 2016.

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