

WITHDRAWAL OF BANK NOTES FROM CIRCULATION

On the 27th February 1962 the Bank gave notice that £1 notes of the old type, which do not bear a portrait of Her Majesty the Queen, were to be called in and would not be legal tender after the 28th May 1962. The notes concerned were issued between the 22nd November 1928 and the 11th April 1960; some 20,000 million had been issued and over 253 million were outstanding when the announcement was made. By the 28th May the number outstanding had fallen to 69 million. The effect of the withdrawal of these notes on Banking and Exchequer finance has been discussed in the Quarterly Analysis of Financial Statistics on page 170.

The undertaking "I promise to pay . . ." is unlimited in time and notes which are no longer legal tender remain exchangeable indefinitely at the Bank of England. In fact, the flow of old £1 notes for exchange continued after the 28th May at such a pace that more than half of the notes outstanding at that date have since been paid.

The old 10s. notes are likely to be called in shortly.

For many years ahead a gradually decreasing number of unrepresented notes of this type will continue to figure in the Bank Return, but eventually they will be "written off". The following paragraphs give a brief account of the circumstances leading up to the writing off of Bank notes and of the procedure which governs it.

Most notes issued by the Bank of England are paid in to the Bank again, and thus withdrawn from circulation, after a comparatively short life; 10s. notes, for example, are normally returned to the Bank after a life of only a few months. Some notes of all values, however, remain unrepresented indefinitely; for example,

an appreciable number of notes of denominations ranging from £10 to £1,000,^(a) of which none has been issued since 1943, or been legal tender since 1945, are still "in circulation". There are many reasons for this: some notes are hoarded in deed boxes, under mattresses or elsewhere, as a form of saving; others are mislaid and forgotten; yet others are destroyed so completely that nothing remains upon which a claim for payment as a mutilated note can be based. Old notes unrepresented, though they constitute only a small fraction of the total circulation, nevertheless amount to a significant sum and require a special book-keeping procedure by the Bank.

For the purpose of this procedure it is assumed that notes which have been outstanding with the public for more than a specified number of years need no longer be regarded, for practical purposes, as a liability against which provision must be maintained (though the liability to pay all notes if and when they are presented remains). The amount of such notes is therefore written off the total of notes "In Circulation", as shown in the Bank's books and the weekly Bank Return. The total of "Notes Issued" remains the same, however, for new notes are at the same time issued to the Banking Department in the place of those written off under the heading "In Circulation". The amount of the notes thus issued to the Banking Department and appearing in its assets is balanced by an increase in its liabilities, representing a profit of issue arising from the writing off of the old notes and held for the credit of a government account.

Under the Bank Charter Act of 1844 the issue of notes was divorced from the general banking business of the Bank by the formation of a separate Issue Department, and all outstanding notes issued more than fifteen years

^(a) Figures of notes outstanding in these denominations are published in the Bank's Annual Report.

previously were then written off as "dead" notes. The amount so written off was £413,481 : 19s. 3d. The odd shillings and pence in this total arose from the fact that in the Bank's earliest days notes were issued for amounts other than the set denominations which before long became the rule and were sometimes presented for part payment only, leaving odd amounts outstanding; this is a reminder that the bank note of the present day is the direct descendant of the receipts given by bankers in the seventeenth and eighteenth centuries for sums deposited with them. The Bank Act of 1892 gave the Bank continuing powers to write off all unrepresented notes which had been issued more than forty years previously and provided that returns of the amounts so written off be furnished to H.M. Treasury and laid by the Treasury before Parliament.

The profit from writing off notes originally accrued to the Banking Department. In 1928, as a result of that year's Currency and Bank Notes Act, the Bank took over from H.M. Treasury the issue of £1 and 10s. notes, together with liability for the Third Series of Currency Notes issued by H.M. Treasury and still outstanding. Since 1928 the profit from writing off notes of all denominations has been paid, like other profits of issue, to a government account in the Banking Department, and (since the passing of the Currency and Bank Notes Act, 1939) is eventually transferred to the Exchange Equalisation Account. When notes already written off ("dead" notes) are presented for payment, funds to meet them are recovered from H.M. Government by deduction from a subsequent transfer of profit on notes written off. In practice, so far as the presenter of such notes at the Bank is concerned there is no difference between notes that are dead and those that are not.

Writing off has been carried out annually since 1892 for those notes for which the Bank keep registers of issue. It is usually done in November, the amount written off being the total of notes issued more than forty years before the previous 1st January and recorded as still unrepresented in the registers. Bank of England notes of £1 and 10s. issued as a result of the 1928 Act, unlike all earlier notes issued by the Bank, bear no date and no registers of

individual notes are kept. It is not practicable, therefore, to write off notes of this type annually and instead the Bank were empowered to write off complete series of £1 and 10s. notes twenty years after the date of issue of the last note in a particular series. The only series as yet written off by the Bank is the Third Series of Currency Notes issued by H.M. Treasury prior to 1928. Notes of this series to the value of £3,785,107 were outstanding in 1949 and were then written off, representing £788 per £ million of the total issued; since 1949 notes to the value of £350,988 have been presented and paid.

Unrepresented notes of the series of £1 and 10s. Bank of England notes which first appeared in 1928, and which have now been replaced by the current series bearing a portrait of Her Majesty the Queen, will be written off in 1980 and 1981, respectively.

In 1956 the Bank's registers of individual £5 notes were discontinued. From that time, therefore, it became impossible to know how many of the £5 notes issued in a particular year had not yet been returned to the Bank for payment and thus to write off such notes annually. All the "white" £5 notes outstanding in 1956 and the further notes of this type issued between 1956 and 1957 will therefore be written off in 1997, *i.e.*, forty years after the last note of this type was issued. The last "white" £5 notes to be called in by the Bank (those bearing dates from the 2nd September 1944 to the 20th September 1956) ceased to be legal tender after the 13th March 1961, when some £16 million were outstanding; the figure is now less than £4 million. The £5 notes currently being issued, which are not dated, will be written off forty years after the last note of this type is issued, under the terms of the Bank Act, 1892.

The total amount of notes ever written off by the Bank (including the Third Series of Currency Notes) is now approximately £5½ million. Excluding the Currency Notes, the average amount of notes written off annually since 1892 is approximately £18,000. Such annual writing off will continue in respect of notes of £10 and upwards until 1983, *i.e.*, forty years after the last notes of these denominations were issued. As regards other denominations, £1 and 10s. notes will be written off (as explained above)

twenty years after the issue of the last note in a particular series and £5 notes forty years after.

Of the notes issued during the present century, apart from the £1 and 10s. Currency Notes, the Bank have written off unpaid £5 notes issued between 1900 and 1914 and notes of higher denominations issued between 1900 and 1920. Approximately £570,000 of the notes thus written off, or £174 out of every £1 million originally issued, had still not been presented by October 1961. The proportion unpresented of the lower denominations is, as might be expected, well above the average level, being over £200 per £ million, while in the case of the denominations £200, £500 and £1,000 (where the number of notes issued was

very much less) it is very considerably smaller. This is shown in the following table :

Denomination	Value per £ million issued 1900-1920 of notes written off and still unpaid in 1961
£5	£216 (based on 1900-1914 issues only)
£10	£280
£20	£231
£50	£216
£100	£203
£200	£22
£500	£76
£1,000	£29

Comparable figures for notes issued in the previous century are not available, but it is estimated that for the lower denominations the proportion unpresented is not likely to be less than £100 per £ million issued.