

## BRANCHES OF THE BANK OF ENGLAND

**Origin of the branches** Soon after the foundation of the Bank of England in 1694, an anonymous writer on financial matters suggested that the Bank should establish branches which would be able to remit "multitudes of sums, great and small, to and from place to place . . . without charges of carriage or dangers of Robberie" (*Proposals for National Banks*, 1696). The theme was taken up again in 1721 by a pamphleteer who advocated the opening of branches "in the trading places of the nation" whose managers would have authority "to lend a little". Such advice met with little response. Apart from introducing Bank Post Bills<sup>(a)</sup> in 1724, in an attempt to reduce the risks to the mails of highway robbery, the Bank were little concerned during the eighteenth century with developments in the financial system outside London and indeed were then frequently referred to as the 'Bank of London'.

The early part of the nineteenth century saw many banking troubles. The needs of the community arising out of the Industrial Revolution called for increased banking facilities, but the law of the day, that no corporation of more than six persons (other than the Bank of England) might issue notes in England, hampered the development of joint stock banking. Instead, many traders and shopkeepers performed the simpler banking functions and issued notes, and, lacking the necessary backing and experience, they were often in difficulties. Matters came to a head with the financial crisis of 1825. During that year, money to keep industry and trade in motion became harder and harder to get; the price of 'Consols' fell steeply; and the number of bankruptcies mounted ever faster. By December 1825 panic conditions had set in and on the first of the month there was a rush to discount at the Bank which *The Times* reported as being like that for "the pit of a theatre on the night of a popular performance". By the

end of the year seventy-three of the more important banks in England and Wales had suspended payment.

In January 1826, with bank failures and commercial bankruptcies still continuing, the Court of Directors appointed a Committee to consider and report "how far it may be practicable to establish branch banks". Although the Committee were primarily concerned to prevent a recurrence of the difficulties of the previous year, they clearly did not overlook commercial considerations. Perhaps it was because the latter issue, at least, was reasonably clear-cut that the Committee were able to report in only a week that they favoured the setting up of branches which, they considered, would greatly increase the Bank's own note circulation, would give the Bank greater control over the whole paper circulation, and would protect the Bank against competition if the Government should encourage the formation of large banking companies.

Meanwhile, the Prime Minister<sup>(b)</sup> and the Chancellor of the Exchequer had indicated to the Bank that, in order to achieve a sound system of banking in the country, they must either open branches, or relinquish their monopoly of joint stock banking. The Ministers favoured the former, but considered that it could not be done on a scale to meet all the needs of the community and therefore commended the second alternative also. In May 1826 the Country Bankers' Act was passed which enabled joint stock banks to be established at any place in England and Wales more than sixty-five miles from London and, incidentally, stated that the Bank of England might open branches—though their right to do so as a chartered corporation had always existed.

The Government's determination to establish a more firmly based banking system seems to have provided the necessary spur and the

(a) Promissory notes issued by the Bank of England in denominations from £10 to £1,000 payable originally at 3 days' sight (subsequently at 7 days or longer) to a specified person or "To Order". An ordinary Bank note, if stolen, was readily encashable by the thief whereas payment of stolen Post Bills could be stopped before the due date.

(b) Lord Liverpool, who is generally credited with the initiative in this scheme.

Bank lost little time in establishing branches in various parts of the country. The Court of Directors decided that the business of the branches should be conducted by Agents, who should be persons of commercial knowledge with local experience. On the 1st June 1826 Charles Cripps, a banker, was appointed the first Agent of the Bank of England and, with a Sub-Agent and four clerks, he opened the first branch at Gloucester in the following month. The second branch was opened at Manchester in September—and is still operating. Others followed in quick succession and the original programme was completed with the opening of the eleventh branch, at Norwich, in December 1829. A list of all the branches is given on page 284.

The branches had a mixed reception. In most towns they seem to have been welcomed by local interests, but there was opposition at Bristol, Newcastle and Hull, and at Exeter, where the opening of the branch was very much resented, the *Exeter Flying Post* commented:

“... of all men who are sinned against by this uncalled-for interference on the part of the Bank of England, none are less deserving it than the Bankers of our own City”.

**Note** The main objective of circulation the Bank in opening their branches was to increase the circulation of Bank of England notes and obtain greater control over the paper circulation as a whole. At that time a large proportion of the notes in circulation were those of the country banks and the newly-formed joint stock banks, many of which were seriously under-capitalised. Since a private note issue was not only a source of profit in itself but also of considerable value in attracting business to the bank of issue, special efforts had to be made to encourage banks to relinquish their own issues and to use instead the note issue of the Bank of England. Banks could either pay for such notes from their liquid assets or, provided they agreed to circulate only Bank of England notes, obtain them up to certain limits against bills discounted at the branches at a favourable rate. Several of these agreements were made in the early years. It was the practice also to make an allowance to banks which were distant from the branches for holding a supply of Bank of England notes; a bank at Carlisle, for example, was given an allowance of seven days on the

average currency of bills discounted for them at the Newcastle branch.

With the passing of the Bank Charter Act of 1844, no new banks could obtain the right to issue notes, no increase was permitted in the circulation of existing private issues, and banks which increased the number of their partners to more than six lost their rights of issue. The Bank thus gained an effective monopoly in England and Wales of any increase in the note issue, and private issues steadily declined, although they did not cease finally until 1921 when the last issuing bank amalgamated with one of the big clearing banks.

From the time the branches opened until 1928, all Bank of England notes were for denominations of £5 or over. Such notes issued outside London were, until 1939, payable either at the place of issue or in London. Before the First World War the supply of notes from Head Office to the branches consisted of the relatively small number of notes of £5 and over. The pattern changed with the introduction by H.M. Treasury in 1914 of £1 and 10s. currency notes which were distributed by the Bank through their Head Office and branches; this new flow of notes through the branches was maintained when currency notes were replaced in 1928 by Bank of England notes for £1 and 10s.

Most Bank of England notes reach the public through the clearing banks and are withdrawn, when no longer fit for circulation, in the same way. Some of these banks draw most of their new notes direct from, and pay them into, the Head Office of the Bank in London because this suits their own arrangements for distribution to their branches; others are making increasing use of the Bank's branches for their needs in the provinces. Besides playing an essential part in the day-to-day distribution of notes throughout the country, the branches act as stores to provide a reserve of notes against emergencies, such as an interruption of communications.

The total number of notes issued and withdrawn each year has greatly increased in recent years, partly because the circulation has itself increased, and partly because the average life of Bank notes has been reduced by the public's preference for clean notes. This trend has been reflected in the number of notes handled at the branches: at present, about half the notes



issued and withdrawn by the Bank flow through their branches.

**Commercial business** Unlike their competitors, the Bank did not offer interest to depositors and did not therefore gain a proportionate share in the great expansion of banking business that took place during the nineteenth century. Nevertheless, the Bank's commercial business remained active and profitable and, with a few exceptions, a satisfactory and growing business was carried on at the branches, where the competitive instinct was especially strong. The Agents were always keen to obtain new business; in particular, their freedom to offer finer rates for discounts than the local banks proved an effective means of doing so, and the combined total of commercial paper discounted at the branches often rivalled—and sometimes exceeded—that of Head Office.

The Bank of England Act of 1833 settled a matter of controversy by declaring that joint stock banks that did not issue notes could be established within the sixty-five mile radius of London specified in the Country Bankers Act of 1826. Competition from the newly-established banks in London eventually led the Bank to offer banking facilities in the West End by opening the 'Western' branch at Burlington Gardens in 1855. This was to be the last branch opened primarily for the purpose of commercial banking business.

Towards the end of the nineteenth century it became clear that the responsibilities which they had begun to assume in the developing financial system were placing the Bank in a position where competition with other banks for ordinary banking business was inappropriate. As their public service came to be regarded as the Bank's prime duty, the aggressiveness of their commercial policy was gradually reduced. During, and in the years following, the First World War there was a general decline in the commercial business of advances and discounts at the branches. For many years now, their ordinary banking business for the public has been limited to a small number of accounts for existing customers.

**Government accounts** Before the branches were opened the remittance to London of local collections of taxes and duties

was undertaken largely by private individuals known as 'Receivers'. The remittance of these monies was often delayed, enabling the Receivers to employ the money and augment the commission paid to them on the amount of the collection. The profitable employment of government monies in this way by country bankers who also acted as Receivers certainly had an influence on the development of banking throughout the country.

With the opening of the branches, the Bank, in their role as bankers to the Government, were made responsible for collecting from Receivers within twenty-five miles of each branch. Clerks making these collections were sometimes absent from their branch for days on end, but it is not clear from the records whether poor communications and travelling difficulties were entirely responsible for these long absences. Country bankers outside the areas covered by the branches continued to act as individual agents for the remittance of government monies until 1867, when they became agents for the Bank of England and the present arrangements took shape for the collection of Customs and Revenue monies and their remittance by the branches to the main accounts of the various Government Departments at Head Office. Nowadays about one-quarter of all Customs and Excise duties and nearly one-tenth of gross payments to the Inland Revenue are remitted through the branches—in the current financial year total remittances will probably exceed £1,000 million.

More than half of the accounts now maintained at the branches (apart from staff accounts) are government accounts of one sort or another. They cover every kind of activity from that of Regional Hospital Boards to that of a Wool Disinfecting Station.

During the First World War the branches also played their full part in assisting in the issue of War Loan in their areas, and to this day applications for government and other issues undertaken by the Bank of England are accepted at their branches from members of the public up to the time when lists are closed at Head Office.

More work for the branches under the general heading of government business arose at the outbreak of the last war when they were called upon to assist in the administration of exchange

control. In addition, an Exchange Control Office was opened at Glasgow in 1940 to help with this work in Scotland and Northern Ireland; the Office does no banking business and is not, therefore, described as a branch. Both the branches and the Glasgow Office have authority to deal with a wide range of applications without referring to Head Office and this not only saves time for the local banks and their customers but also enables exchange control problems to be discussed at first hand.

Following the reopening of the commodity markets after the war, the Liverpool and Manchester branches have maintained close liaison with the Cotton Market, the Liverpool branch also with the Grain Market, and the Leeds branch with the Wool Market. These links were developed in the early years primarily to deal with problems of exchange control. Although exchange control now presents few problems to the Markets the liaison continues on a more general plane and is of considerable value to the Bank.

**Other banking functions** Another important aspect of the work of the branches is the maintenance of accounts for other banks. These accounts are used mainly in connection with the issue and payment of notes and for settlements of local clearings, and the deposits maintained by the other banks, which form part of their cash reserves, now constitute the greater part, by value, of the branches' deposits. The branches are also responsible for organising through the local Association of Clearing Bankers, of which each Agent is ex-officio Chairman, the clearing of cheques drawn on banks in a defined surrounding area. Eight million articles to a value of over £2,000 million were handled during 1962 by these local clearing houses.

**Liaison with industry** When the branches were active in the commercial field, day-to-day banking business brought the Agents into contact with industry and commerce in their areas. This source of information about local affairs was too valuable to lose with the change in banking practice. It was recognised that central banking did not mean an exclusive preoccupation with affairs at the centre and as the Bank already had their 'man on the spot' in the person of the Agent, they

continued to look to him for confidential impressions of activity and trends in the important industrial regions of England and Wales.

During the last few years this side of the Agents' work has been intensified and they now go out of their way to make contacts with leaders of industry and commerce in places well beyond the area normally associated with their branches, with increasing benefit to those who are concerned at Head Office with the interpretation of statistics and reports. The Principal of the Exchange Control Office in Glasgow undertakes similar duties in Scotland and Northern Ireland. The help extended to the Bank in this work is much appreciated, not least for the insight into practical problems of manufacture and marketing which is given to both Agents and visiting officials from Head Office. The exchange of ideas between the City and the business community is fostered by frequent visits by the Governors or Directors to the areas for which the branches are convenient centres.

**Staff at the branches** The Agents and Sub-Agents at the branches are now appointed from among the Bank's staff and not recruited specially. Apart from this, the most noticeable change over the years has been the employment of women staff, who were recruited at the branches for the first time in 1914 to deal with the work arising from the introduction of currency notes. At present there are eight branches with a total of just over 300 clerical staff, of whom over half are women.

The necessary link with Head Office is supplied by the Branch Banks Office in London, which co-ordinates the affairs of all the branches under the direction of the Chief Cashier.

**Distribution of the branches** The table on page 284 shows that, in all, the Bank have opened seventeen branches, but they have not been slow to close those which ceased to be profitable or useful and not more than thirteen have been maintained at any one time. Apart from the branch which was opened at Southampton in 1940, the remaining 'country' branches still operating at Birmingham, Bristol, Leeds, Liverpool, Manchester and Newcastle

were all opened within two years of the adoption by the Bank of a branch policy. Although the Committee which met in 1826 to consider a branch policy could not have foreseen the considerable changes which were to take place in the pattern of branch activities, they nevertheless succeeded in providing the basis for a satisfactory distribution for most of their modern functions. Some areas may be less well served than others but the position is kept under review by the Bank and changes would be made to meet the needs of a particular trend of industrial development or shift in population.

The one constant factor in the story of the branches of the Bank of England has been their

importance in relation to the note issue. To begin with, the commercial aspect was also important and the success of a branch could be measured in terms of profit, but the First World War saw the ending of this phase and the beginning of increased activity on government business. The next stage came with the introduction of exchange control during the last war and, as this work declined, liaison with industry has taken its place. Although each phase has had its particular importance in the development of the branches, note work has remained their main function. Its usefulness as a note issuing centre would be a first consideration in determining the position of a new branch today—as it was in 1826.

The list of branches appears overleaf.



Country branches	Opened	Closed	
GLOUCESTER	19th July 1826	28th Feb. 1849	The branch was closed because of continued trading losses and the business was transferred to Bristol.
MANCHESTER	21st Sept. 1826	—	Since 1847 the branch has occupied a building designed by C. R. Cockerell, who succeeded Sir John Soane as architect to the Bank in 1833.
SWANSEA	23rd Oct. 1826	28th Feb. 1859	The only branch that the Bank have ever had outside England. Trading losses led to the closure of the branch and the transfer of the business to Bristol.
BIRMINGHAM	1st Jan. 1827	—	The branch took over its present premises from the Staffordshire Joint Stock Bank in 1890 and is the only remaining branch carrying on business in a building which was not especially built for the Bank.
LIVERPOOL	2nd July 1827	—	The branch moved, in 1849, to the present building which is another example of the work of C. R. Cockerell.
BRISTOL	12th July 1827	—	A few years after they had been vacated by the branch, the original premises were converted into a tavern known as the Bank Hotel. From 1847, until it moved in November this year, the branch occupied a building designed for the Bank by C. R. Cockerell. The present building was designed by the late Sir Howard Robertson and forms part of the development of a war-damaged area of the city.
LEEDS	23rd Aug. 1827	—	The present building has been occupied by the branch since 1865 and was designed for the Bank by P. C. Hardwick.
EXETER	17th Dec. 1827	30th April 1834	From the start there was local opposition to the branch and it consistently worked at a loss. When the branch was closed its business was transferred to Plymouth.
NEWCASTLE	21st April 1828	—	Opened in spite of local opposition. In 1838 the branch moved to its present premises in Grey Street, which was then being developed to designs by Richard Grainger.
HULL	2nd Jan. 1829	28th Feb. 1939	Closed because of a decline in its usefulness as a centre for note issue and government business.
NORWICH	1st Dec. 1829	31st May 1852	Local opinion was against the opening of the branch which subsequently closed because of trading losses.
PLYMOUTH	1st May 1834	15th Feb. 1949	Opened primarily to meet the Navy's requirements, the branch also took over the business from the Exeter branch. There had been a gradual decline in the usefulness of the branch and the necessity for complete rebuilding as a result of war damage finally led to its closure.
PORTSMOUTH	16th May 1834	30th April 1914	Opened, like Plymouth, primarily at the request of the Treasurer of the Navy in order to facilitate the supply of money to the dockyards. The branch was eventually closed because of declining business and the fact that the Navy's cash requirements could by then be met equally well from London.
LEICESTER	1st Jan. 1844	29th Feb. 1872	Opened because the failure of a local banking house seemed to offer an opportunity for the Bank to extend their note issue, but the branch subsequently worked at a loss and its business was transferred to Birmingham.
SOUTHAMPTON	29th April 1940	—	Apart from being a centre for the issue and payment of notes in the south of England, the branch is well placed for receiving and shipping gold and currency.
<b>Town branches</b>			
'WESTERN'	1st Oct. 1855	9th Aug. 1930	The branch operated mainly as an ordinary banking house with few government accounts. The Bank's withdrawal from commercial activities led to the transfer of the branch, with its private banking business and its building in Burlington Gardens, to the Royal Bank of Scotland.
'LAW COURTS'	3rd Oct. 1881	—	This branch is primarily concerned with the business of the Supreme Court and was opened following suggestions by the Lord Chancellor and the various legal societies. From 1881 until 1888, when the branch moved to the present building at the corner of Bell Yard and Fleet Street, business was carried on in rooms in the Royal Courts of Justice which were set aside for the purpose.

The branch buildings at Manchester, Liverpool, Leeds and Newcastle are all included in the Ministry of Housing and Local Government list of buildings of special architectural or historic interest; the building designed for the Bristol branch by C. R. Cockerell, which is no longer occupied by the branch, is also on this list as well as being scheduled as an Ancient Monument by the Ministry of Public Building and Works.