

MUTILATED NOTES

The wealthy spendthrift lighting his cigar with a £5 note was a figure once encountered in fiction, if not in real life. The gesture was not necessarily, however, an heroic extravagance. A Bank of England note need not be invalid even if extensively damaged, and the reckless cigar-smoker could well have obtained full value for his note if he had preserved the charred remains with sufficient care and subsequently made an application for payment at the Bank's counter. Indeed, in those days, if he had taken the precaution of jotting down the note's serial number beforehand, he might perhaps have been able to obtain payment for it even though it had been entirely reduced to ashes.

In origin a Bank note was documentary evidence of a claim upon the issuer, a promise to pay, which must be discharged in legal tender; and it circulated freely because, and so long as, the ability of the issuer to discharge it was undoubted. The Bank of England note is now itself legal tender, indeed the only means of payment now in circulation which is legal tender without limit of amount. Its relative lack of durability calls for some regular arrangement for the replacement of worn or damaged notes; and the holder is entitled to seek replacement of a damaged note by the exercise of his historic right to present it for discharge in legal tender, which now entitles him to receive a new piece of paper. In this country the promise of payment on a Bank note is unlimited in time, and the Bank will honour their notes in current legal tender—"pay" now meaning replacement—at any time, even if the notes in question have long since ceased to be legal tender themselves.

The Bank of England are thus (like other note-issuing authorities) called upon to examine and, if possible, to pay a large volume of more or less badly damaged notes, and dealing with claims now constitutes a significant part of the job of managing the note circulation. The task of separating, mounting, examining, recording and paying the remains of badly mutilated notes is centralised in a section of the Issue Office at the Head Office of the Bank, where about forty-five people are normally engaged on it full-time.

Paper is easily damaged and even comparatively valuable pieces of paper such as Bank notes are often carelessly burned or torn. A table below shows how the number of badly mutilated notes sent to the Bank for replacement has grown in the past quarter of a century. Although the number of notes in circulation is only four times greater now than twenty-five years ago, the number of badly mutilated notes sent to the Bank has increased nearly tenfold.

Badly mutilated notes presented for payment

		Number presented thousands of notes	Average circulation millions of notes	Number presented per million notes in circulation
1937				
10s.	...	12	102	118
£1	...	9	270	33
Total	...	21	372	56
1962				
10s.	...	56	203	276
£1	...	137	1,016	135
Total	...	193	1,219	158
£5	...	12	220	55

(1937 figures for £5 notes would not be comparable.)

Despite the fall in the value of money and increasing real affluence, the £1 note is still by far the most widely used note as it was in 1937, and perhaps because it is (for most people) more easily earned now than in 1937, and buys so much less, people tend to treat it less carefully than they did. However, the more extensive use now being made of £5 notes, and the prospect of a £10 note in circulation early next year, give some ground for hoping that mutilations may in future become rather less frequent.

In some countries mutilated notes presented for payment may be paid only in part, depending upon the area of the note submitted. Thus in the United States a note of which clearly more than two-fifths, but less than three-fifths, is presented is in principle payable only at half its face value. Whatever may be the merits or demerits of such a system, the Bank of England have always regarded their notes as payable in

full or (if the fragments submitted do not satisfy minimum requirements) not at all.

The procedure for dealing with claims for the payment of mutilated notes is not governed by specific legislation but has evolved with the Bank's experience of the task of satisfying all legitimate claims and at the same time seeking to ensure—in the interest of the public purse—that claims are not met more than once in respect of any one note. Before 1928 claims were easier to handle, for the Bank notes then issued were all of the old black and white type (some of which continued to be issued up to 1957). The serial numbers of these notes were recorded in registers^(a) with their individual dates of issue and eventual payment; these registers (which were expensive to maintain and impracticable except for notes issued in modest numbers) made it virtually impossible for any note to be paid twice over. So long as the serial number could be given, applications for the payment of such notes could be met even if they had been completely destroyed, lost or stolen. When the note itself, or the major part of it, could not be produced (and there was thus a possibility of its being presented by someone else) payment was commonly made only after a period of years and subject to an undertaking given by the applicant, and joined in by a bank or an insurance company, indemnifying the Bank of England against loss if the note were later presented.

When the Bank began to issue their £1 and 10s. notes in 1928, registers were not used, and indeed they are now maintained only in respect of those old black and white notes of £10 and higher values which are still outstanding. In the absence of a register it is not possible for the Bank to be effectively indemnified against the presentation of notes already paid for the benefit of a previous applicant; indemnities are, therefore, no longer taken, and the Bank now pay mutilated notes only where reasonably satisfied that there is no possibility of the same note being paid twice.

The procedure for dealing with mutilated notes depends on whether they are slightly or badly damaged. Slightly mutilated notes can be exchanged by members of the public at banks and post offices and are then sent to the appropriate bank or post office collecting centre

and subsequently paid by the Bank of England without special formality. To qualify for payment in this way a note must under present practice consist of more than half the original area and contain the "promise to pay" with at least one-third of the signature and rather more than one complete number (which appears in two places on each note). The number of slightly mutilated notes paid each year is in the region of five million.

Mutilated notes which do not satisfy these requirements (and all mutilated notes of the black and white type) must be submitted to the Bank of England accompanied by a form completed by the applicant, giving details of the notes involved in the claim, the circumstances in which they were damaged, and the names and addresses of any witness to an accident and of a person who can vouch for the applicant's good faith. Applications may be submitted either through a bank, which will provide the necessary form, or direct to the Bank of England by registered post, in which case the appropriate form is obtainable from post offices. Successful claims are paid either by credit to the applicant's bank or through a post office.

In adjudicating these claims the Bank make immediate payment if the mutilated note contains all the essential parts. On the other hand, if the missing parts would be exchangeable on sight at a bank or post office and it is not certain that such parts have been destroyed, payment is refused. Between these two extremes are many cases which must be judged on their merits in the light of past experience, and a decision may depend upon such factors as the condition of the fragments available, the evidence of destruction, the possibility of identifying the notes, the consistency of the account of the damage with the state of the fragments, the support of witnesses and, in cases involving more than one note, the condition of the others. Payment may be made forthwith or, if the possibility of a second claim cannot be ruled out, may be deferred for up to a year to allow time for such a claim to appear. Sometimes complementary parts of the same note are presented by different persons and each may appear to have a claim of equal merit; in such cases each applicant is

(a) The detailed register of £5 notes was discontinued in 1956.

informed of the name and address of the other and that a claim for less than the whole note cannot be entertained. The fragments are stamped "Valueless without the other portion" and are returned to the respective applicants. No charge or commission for dealing with claims for the replacement of mutilated notes is made to applicants by any of the parties concerned.

No payment can be made when there are no identifiable remains available, and much skill and patience is required in examining a heap of charred or shredded fragments to discover how many separate notes can be traced. Fragments of metallic thread from notes (which often survive the surrounding paper) are sometimes a useful help in this work, but of little service by themselves: a thin strip of blackened metal is in itself no evidence of a destroyed note. The laborious examination of the fragments submitted with a claim often fails to provide satisfactory evidence of as many notes as the applicant had (perhaps optimistically) stated were involved. On the other hand, it is by no means unknown for a claimant to be informed that the Bank's examination of the fragments submitted has enabled them to pay a larger number of notes than he had assumed to have been damaged.

Bank notes are damaged from many causes, some of them bizarre. The appetite of dogs and other pets, and even of small children, for notes seems to have survived recent changes in their appearance and size. Fire and water, however, account for the majority of the

applications which reach the Bank, and the circumstances can generally be classified as accidental or as involving ill-judged attempts at storage or concealment. The growing use of banking and similar facilities has resulted in some reduction in the number of mutilations arising from imprudent methods of storing notes. Nevertheless, the remains of rotted notes which have been buried in the garden or hidden under floorboards or behind kitchen sinks are still presented from time to time; and the temptation to foil the burglar by hiding a precious hoard of notes in the stove or up the chimney during the summer leads to many disasters when fires are lit later. Most of the circumstances leading to accidental destruction follow long-established patterns. Accidental fires in homes and offices often involve notes, and envelopes with an unobserved note or notes inside are often thrown on the fire by those obsessed with tidiness (this is particularly liable to happen at Christmas time in disposing of wrapping paper). A more recent source of danger, probably now the most prevalent source of damage to notes, is the washing machine. Whereas a note left in the pocket of a shirt, an apron or a pair of jeans washed by hand was usually retrieved without serious damage, the action of a washing machine normally inflicts much more severe punishment and notes are often discovered washed out and partially pulped. It is evident that some detergents could claim among their other characteristics the ability to reduce a Bank note to a perfectly white sheet.