Speech by the Governor of the Bank of England

Given at the dinner of the Trustee Savings Banks Association on 29th May 1968

It is peculiarly gratifying to come to a dinner where attendance is both meritorious and agreeable. What can be more meritorious than to encourage saving? Even were it possible to hold different views about that, no-one can question that it is agreeable to be here tonight. I am most grateful to the Trustee Savings Banks Association for giving me the opportunity to meet and talk to you.

On the surface, one might be surprised that you are meeting in Brighton. Brighton's first reputation was founded by the Prince Regent who was, after all, never distinguished by a partiality for saving.

But, as so often, when we look beneath the surface, things look different. By no means all of Brighton's inhabitants have modelled their lives upon traditions surviving from the earlier days of the Pavilion. Here we have one of the senior savings banks of the United Kingdom, which celebrates its 150th anniversary this year. We all wish the Brighton Savings Bank the best of health and prosperity as it enters the second half of its second century.

I believe that the very first institution to be established in a form substantially similar to the present-day trustee savings bank was the Ruthwell Savings Bank in Dumfriesshire, which started in 1810, eight years before Brighton. I am told that the Ruthwell Savings Bank was famed for its elaborate constitution, and a writer of the time in the *Edinburgh Review* drew an interesting comparison when he said "The Bank of England to be sure has not so magnificent a constitution, but the Bank of England has not half so much to do." In the intervening time, I think we can fairly claim to have caught up.

But you did not ask me here to boast about how active central banks have become. I strongly suspect that the more active they are the more difficult life becomes for all institutions whose task is to nourish saving. We are all well aware that one essential basis of a good savings movement is trust in the value of money. Continued inflation is not compatible with saving or with the orderly investment of savings. If tonight you have asked me here, as Governor of the Bank of England, in order to make me remind myself of that basic truth, you have succeeded. I can assure you, indeed, that I am never likely to forget it.

In fact, I may be said to be here tonight in three capacities. First, because as Governor of the Bank of England I have a general responsibility for the whole British banking system, of which you are an important part. Other important parts are, I am afraid, none too pleased with me at the present time. Secondly, I am your own banker, at one remove. We in the Bank of England keep the accounts of the National Debt Commissioners, and they in their turn keep accounts for you. Thirdly, I am myself a National Debt Commissioner, which make me a patron saint or guardian angel, or perhaps, on occasions, a devil's advocate for you! You may feel all this makes me sound uncommonly like

Pooh-Bah, who was ready unhesitatingly to accept from the Mikado all the posts of State at once – and, it was alleged, all the salaries too. I, for my part, have never had to accept, or refuse, the salary of a National Debt Commissioner because he does not have one.

The National Debt Commissioners are a rather strangely assorted body. There are seven of us – The Speaker of the House of Commons, the Chancellor of the Exchequer, the Master of the Rolls, the Lord Chief Justice, the Accountant-General of the Supreme Court, the Deputy Governor of the Bank of England, and myself. We held our last formal meeting on 12th October 1860 under the chairmanship of Mr. Gladstone. There was some talk in the Bank at the end of the 1950's as to whether we ought not to arrange another meeting on 12th October 1960 to mark the centenary of the last meeting: but we were reluctant to set too rigid a pattern which might be held to constitute a precedent. In any case, we felt we ought to wait for the Board of Trade to have another meeting first: for they last met as a body on 23rd December 1850. So we settled for an informal meeting round the dinner table. In fact, as you will be well aware, the work which the Commissioners are charged with overseeing goes on smoothly without the need for formal meetings, thanks to the National Debt Office, who work very closely with the Treasury and the Bank. And when the need to consult the Commissioners arises, the Comptroller-General has ready access to the three who are most naturally concerned with financial matters, namely, the Chancellor, the Governor and the Deputy Governor of the Bank, who act as a quorum for the full body of Commissioners. The National Debt Office, for their part, have a happy relationship with the trustee savings banks and such problems as arise on either side are tackled with goodwill and understanding.

It is my privilege and very pleasant duty tonight to propose the health of the Trustee Savings Banks Association. I am indeed happy to do this. The banks have flourished in the past, are flourishing at the present time, and will, I am sure, flourish in the future. At the end of last year, you had 10 million depositors with well over £2,200 million of deposits, over one quarter of the total of national savings. This was nearly £500 million more than deposits with the Post Office Savings Bank, over £600 million greater than the total of defence bonds, development bonds and premium bonds taken together, and not much less than all the national savings certificates outstanding. The funds placed with you were also nearly three times as great as those placed with the unit trusts. On the assets side you hold, directly or indirectly, well over £1,000 million of gilt-edged stock, and not far short of £1,000 million of local authority debt. So it is easy to demonstrate how important you are, both as repositories for savings and as financial institutions. It is true that your rate of growth in recent years has been less rapid than that of some other financial institutions – not only the unit trusts who provide an equity investment, but also the building societies who, like you, offer a fixed rate of return. But this comparatively slow growth has of course largely occurred in your ordinary departments; your special investment departments – which offer more competitive attractions – almost doubled in the five years to last December, which makes their separate rate of growth almost identical to that of the building societies.

Although your total assets may not have grown outstandingly in recent years, that does not mean that you have been content to rest on your oars. On the contrary, you have, in various ways, sought to widen the facilities you offer. Two particular developments seem to me commendable. First, you have set up your own unit trust. This is a useful addition to your range of services, and you must be pleased at the good start it has made in its first four months. I should like to congratulate your chairman and his fellow directors of the unit trust on its success. I am particularly glad to hear that a considerable number of regular monthly savers have joined the trust, and that it will not be relying overmuch on money which has been switched from your ordinary departments or elsewhere. The second development has been the passing of the Trustee Savings Bank Act, which has given the banks a new financial deal. The National Debt Commissioners will be paying the banks a higher rate of interest on deposits with their ordinary department which are on-lent to the Government, and this I hope will aid the growth of such deposits. The Act also provides for an independent source of capital for the first time, by allowing the banks to borrow up to £10 million from the Government for development expenditure. This should help the banks to modernise and become more efficient, and so to attract more savings.

Important and fashionable as your branching out into the unit trust field may be, I hope you will not be led by the attractions of innovation to neglect in any way the ordinary departments and the special investment departments, which are the heart of your business; and which continue to have a most important role to play in the national finances. This is the field in which you can make your most distinctive contribution to the country's needs. I can hardly overemphasise the importance of the largest possible amount of savings at the present time. I know that 1968 will not be an easy year in which to attract new savings, or retain existing ones, but the more savings we can secure the better our chances of making a success of devaluation. Part of our trouble in the past has been that we have spent too much and saved too little, and we compare badly in this respect with a number of other leading European countries. So more power to your elbow in your efforts to bring new money in and to hold on to what you have.

Finally, may I leave a thought in your minds regarding the future? For some time I have been wondering whether the trustee savings banks can, or should, stand aside from the important trend of the times towards larger-scale groupings. In almost every direction one looks, whether in industry or commerce, whether in the commercial banking world or in the building societies or in stockbroking firms, one sees larger units being formed. In most cases these mergers have come about through commercial pressure – to which you are not particularly subject. But commercial pressures are not always the moving force. Building societies, for example, are not institutions which strive to maximise their profits, but their number has been reduced by over a quarter in the last decade; and business efficiency and the saving of costs must be the concern of us all.

Is there, I wonder, not a lesson here for you? The trustee savings banks have had their mergers in the past – you numbered over 600 a hundred years ago, and now you are 77. But some people would say that 77 is too many for the present age. Each bank has not only its own independent management and its different forms of publicity but also, very often, its different terms of deposit, and even its different working methods. Of course an important part of your movement's great strength has always been its local character, and this must certainly not be lost. But I ask myself whether, thanks to modern communication, "local" has not a wider significance now than it had in the past. Many of the savings banks grew up before motor transport, and long before computers and telecommunications were imagined, let alone created. No one, I hope, would suggest one single centralised trustee savings bank for the whole of England, let alone for the whole of the United Kingdom; but might not some regional groupings be possible, which while preserving local interest and local participation might bring better facilities for your depositors and better career prospects for your staff? I wonder if, without such groupings, you will be able to keep your costs down and to take full advantage of modern techniques in the years which lie ahead?

I should emphasise that I do not think it is for the Government or the National Debt Commissioners to bring pressure on you to amalgamate. Certainly no one should risk damaging the spirit of service and local loyalty which has contributed so much to the growth of this remarkable movement. Any decision should be entirely yours, and any initiative should come from you, though of course we in London should always be ready to respond in a helpful way.

Any such moves towards larger units will obviously need careful thought. In the meantime, I know you will press ahead with strengthening and streamlining your organisation, and getting used to your computers. Yours is a vigorous and lively movement to which no one is more ready to pay tribute than I am. I therefore have much pleasure in proposing the health of the Trustee Savings Banks Association.