

## The Bank of England note: a short history<sup>1</sup>

Before the establishment of the Bank of England in 1694, banking in England had been virtually restricted to the goldsmiths in London. By the second half of the seventeenth century the goldsmiths were not only acting as bailees of money and valuables entrusted to them but were increasingly using these funds for making loans. Meanwhile, their promissory notes payable on demand, which were issued to depositors, had come to be used as a convenient means of making payments and could, if desired, be cashed in part only. It is from these goldsmiths' notes that the Bank of England note ultimately derives.

Although the Bank of England were not the first bank to issue notes they were the first public bank to do so regularly.<sup>2</sup> Thus in 1697 Sir Theodore Janssen, one of the first Directors of the Bank of England, was able to state that the "... giving out Notes payable to Bearer ...", a practice which he thought "... liable to many Dangers and Inconveniences ...", was a peculiarity – among public banks – of the new Bank of England. He admitted that "... the Custom of giving Notes hath so much prevailed amongst us that the Bank could hardly carry on Business without it."

The Act of Parliament of 1694 setting up the Bank of England is not specific about the Bank's powers to issue notes. The only reference to Bank bills or notes is in Section 28, which provides that "... all and every Bill or Bills obligatory and of Credit under the Seal of the said Corporation ..." shall be assignable by endorsement.

The 'sealed bills' issued by the Bank were promissory notes, normally bearing interest, given to depositors in return for cash or to borrowers in exchange for the bills which they discounted or the assets which they pledged. They might perhaps have been expected to circulate readily from hand to hand; but they never became really popular as a form of money and did not survive for much more than twenty years.

The first meeting of the Court of Directors of the Bank on 27th July 1694 was concerned with the "... method of giving Receipts for running-cash ...". The first decision was that 'running-cash notes' should be issued.

The running-cash note was a receipt for a deposit, made out to bearer so that it could be passed on; it was normally not interest bearing. If the holder wished to obtain cash (that is, gold or silver) he could present the note at the Bank and have it endorsed with the amount withdrawn. Running-cash notes were at first made out for odd amounts – the particular sum deposited – but before long they were being made out for round amounts. The running-cash note was, in fact, the true forerunner of the modern Bank note.

However, four days after the decision to issue running-cash notes, another instrument, the 'accomptable note' was introduced by the Bank. This too was a certificate of

<sup>1</sup> Earlier articles in this *Bulletin* have discussed the printing of Bank notes (September 1961), their withdrawal from circulation (September 1962), the treatment of mutilated notes (September 1963), the note circulation (March 1965) and the growth in demand for new bank notes (March 1966).

<sup>2</sup> The Bank of Sweden – also a public bank – had begun to issue notes in 1661 but the issue was stopped by the Swedish Government after three years.

deposit; but, unlike the running-cash note, it was not intended that it should be passed from hand to hand; instead, it gave the depositor the right to 'draw notes' on the Bank; such withdrawals were endorsed on the accomptable note. Later, the drawn notes were written by depositors on special forms prepared by the Bank having a 'check' pattern running across the paper. They were thus an early version of the modern cheque rather than of the Bank note.<sup>7</sup>

Thus, in the first week of their existence, the Bank were issuing three forms of paper money:

- i the sealed bill;
- ii the running-cash note, payable to bearer; and
- iii the accomptable note.

This caused the writer of a broadsheet entitled "The Mint and the Exchequer United" to say in 1696:

. . . the Bank was limited . . . not to give out Bills under their Common Seal for above £1,200,000; and if they did, every Proprietor to be obliged, according to his Stock, to make it good; so that they give out Bank Bills with interest for but £1,200,000. But they give their Cashire's Notes for all sums (ad infinitum) which neither charge the Fund nor the Proprietors, which seems to be a Credit beyond the Intention of the Act of Parliament, and never practised before by any Corporation, to give any Notes but under their Seal; and is almost a Fraud on the Subject.

The early notes were followed by others, introduced for various reasons, not least so that forgery should be made more difficult. These issues were all short-lived, and soon the only survivor of these early forms of Bank paper was the running-cash note. The earliest running-cash notes were completely handwritten and it was probably not until some time between 1696 and 1699 that partly printed notes came into regular use. Specimens of some of these early forms of Bank paper as well as of 'circulation notes' (deposit receipts repayable with interest twelve months after date and issued in the 1740's) still survive.

#### **Circulation of Bank of England notes**

During the first half of the 18th century the credit of the Bank's notes successfully withstood such shocks as the Jacobite rebellions of 1715 and 1745 and the South Sea Bubble crisis of 1720. In that year, as a means of checking a run on their cash reserves, interest bearing notes payable after three months were issued by the Bank for a short period in exchange for their ordinary notes. The total of the Bank's notes in circulation at this time was about £3 million.

The notes issued after 1725 were in mainly printed form and they began to appear in fixed denominations; the first was for £20. In 1759 a shortage of metallic currency during the Seven Years' War induced the Bank to issue notes for £10 and £15. The war with Napoleon led to the issue of Bank notes for £5 in 1793, and by 1795 the note circulation had jumped to £13½ million; in 1797 a shortage of specie developed and the Bank obtained an Order of the Privy Council authorising them to stop paying notes in gold and silver; consequently notes for £1 and £2 were issued in

<sup>7</sup> The use of cheques was inhibited at this time by the fact that there was no real system of clearing or cashing them at a distance from the banks on which they were drawn. Thus, the bank note was used far more widely than the cheque until the nineteenth century.

payment. The appendix shows when each denomination of note was first issued and, where appropriate, the date of its discontinuance.

In 1821 the Bank resumed the payment of their notes in gold and silver, and the note circulation, which by the year of Waterloo had risen to £26 million, had fallen back by 1822 to £17 million. At the same time the Bank ceased to issue notes for less than £5 and this continued to be the rule until 1928, apart from an isolated issue of £1 notes in 1825-26 – an emergency measure at a time of financial crisis.

This crisis, which caused the bankruptcy of no fewer than fifty-nine private banks of issue, led to the opening in 1826 of Bank of England branches in some of the principal towns in England, mainly so as to provide the provinces with a secure note circulation.<sup>1</sup> Notes issued by the branches bore the name of the town in which the issuing branch was situated and were payable in cash either at the branch or in London. The facilities provided by the branches brought about a decline in the circulation of provincial bills of exchange and their replacement by Bank of England notes; and the Bank's policy of withholding rediscount facilities from banks which declined to circulate Bank of England notes induced a number of country banks to give up their own note issues.

Under the Bank of England Act of 1833 the Bank's notes were made legal tender in England and Wales for the amount stated on the note and for all sums over £5, so long as the Bank continued to pay on demand their notes in legal coin (an obligation from which they were released by the Gold Standard Act of 1925). Under the Act of 1833 the establishment of joint stock banks in London or within a radius of sixty-five miles from it was permitted only so long as they refrained from issuing notes.

However, the turning point in establishing the Bank of England's monopoly of the note issue in England and Wales came with the Bank Charter Act of 1844. No new banks of issue were permitted after 6th May 1844 and existing ones were debarred from issuing notes in excess of their average issue for the twelve weeks ended on 26th April 1844. In addition, an amalgamation of two or more private banks of issue, which raised the number of partners of the combined bank to more than six, caused the forfeiture of the right of issue. The effect of this legislation was to bring about the gradual extinction in England and Wales of note issues other than that of the Bank of England, and in 1921 the last of the country banks to issue notes lost its right to do so.<sup>2</sup>

Before the 1844 Act the backing of the Bank's liabilities on demand – that is, deposits and notes – had consisted as to about two thirds of securities and as to one third of bullion. But now the formal introduction of a 'fiduciary issue'<sup>3</sup> was adopted as the best means of controlling the Bank's note issue and this was limited to £14 million. However, if any banker ceased to issue his own notes, the Bank were empowered, under authority to be obtained by an Order in Council, to take over two thirds of the lapsed issue. The aggregate issues which the joint stock and private banks

<sup>1</sup> See "Branches of the Bank of England" in the December 1963 *Bulletin*.

<sup>2</sup> Fox, Fowler and Co. of Wellington, Somerset, taken over by Lloyds Bank Limited.

<sup>3</sup> That is, that part of the note issue backed by securities and not by gold or silver.

were permitted under the Act to continue were about £8½ million. Thus by 1921, when the last private issue was abandoned, the limit to the Bank's fiduciary issue had risen to £19¾ million.

During the second half of the nineteenth century the development of joint stock banking, the growing use of cheques and a larger circulation of gold coin led to a relative decline in the importance of bank notes. The Bank's note circulation increased by less than fifty per cent between 1844 and 1900, although the national income had probably more than trebled during this time. Symptomatic of the trend was the adoption by the London banks after 1854 of the system of settling their claims through the clearing by means of cheques drawn on the Bank of England. Previously they had settled with Bank of England notes.

The outbreak of war in 1914 brought a heavy demand for currency.<sup>1</sup> Under an Act passed on 6th August the Government proceeded to issue notes for £1 and 10s., having entered into a contract with Waterlow Brothers and Layton Limited for the supply of the new currency notes, or 'Bradburys' as they came to be called – after Sir John Bradbury, the Permanent Secretary to the Treasury, whose signature first appeared on them. A Bank of England note for £1, resembling their £5 note but smaller, was prepared at this time, but was not issued. Under the terms of the 1914 Act the currency notes were declared to be legal tender for any amount, whereas the Bank's notes by the Act of 1833 were legal tender in England and Wales only for amounts over £5. Between 1913 and 1919 the circulation of the Bank's notes increased from roughly £28 million to over £70 million – while the circulation of currency notes rose to over £300 million.

Both Bank notes and currency notes continued to circulate until 1928 when the issue of the latter ceased and the Bank assumed liability for their payment. The Currency and Bank Notes Act of 1928 authorised the Bank to issue notes for £1 and 10s. with full legal tender status in England, Wales, Scotland and Northern Ireland. A ceiling of £260 million was fixed for the fiduciary issue, but a discretionary power was given to the Treasury to vary this amount. Notes in circulation by this time amounted to about £350 million.

At the outbreak of the 1939-45 War the whole of the gold held by the Bank's Issue Department, apart from a token amount, was transferred to the Exchange Equalisation Account<sup>2</sup> and the fiduciary issue was consequently increased to £580 million; by the end of the War it had reached £1,350 million. It is now in excess of £3,000 million.

### **The design of Bank notes<sup>3</sup>**

The oldest surviving partly printed Bank of England note payable to bearer in the Bank's possession is a note for £555 dated 19th December 1699 which has been paid in three instalments – £131:10:1, £360 and £63:9:11. This note is signed by Thomas Madockes, a member of the original staff of the Bank and Chief Cashier from 1699 to 1739. Madockes signs, as the Chief Cashier does today, "For the Govr. and Compa<sup>a</sup>. of the Bank of England". The theory that "Compa<sup>a</sup>."

<sup>1</sup> From 1915 gold coins were withdrawn from circulation; they remained legal tender but their intrinsic value soon exceeded their nominal value.

<sup>2</sup> See "The Exchange Equalisation Account: its origins and development" in the December 1968 *Bulletin*.

<sup>3</sup> Some reproductions of Bank notes in the Bank's collection accompany this article.

is an abbreviation of the Italian word "Compagnia" and reflects the influence of the Lombard bankers was popularised by Samuel Butler, who in one of his lesser known works<sup>1</sup> writes:

Take up a Bank of England note and the Italian language will be found still lingering upon it. It is signed 'For Bank of England and Compa<sup>a</sup>' (Compagnia), not Compv.

Unfortunately for romance this theory is without foundation. Butler assumes that "Comp<sup>a</sup>." cannot be an abbreviation for "Company", but English documents of the period quite often abbreviate a word by stopping in the middle rather than omitting intermediate letters and showing the last one. Examples of the early usage are "Acc<sup>o</sup>." for "Account", "Stow<sup>a</sup>." for "Stowage" and "Janu<sup>a</sup>." for "January". There is thus no reason to assume an Italian origin for "Comp<sup>a</sup>." and the probability that the abbreviation stands for "Company" is strengthened by the fact that the proof of a proposed £5 note engraved in 1694 shows the word as "Company" without abbreviation, the form which is also used in the original Charter and in the Act establishing the Bank.

In the earliest days, notes payable to "Mr. A.B., or bearer", were not legally assignable, so that the bearer, if other than the payee, could not sue the issuing authority in his own name.<sup>2</sup> Consequently, the payee's name was always that of someone well known to the Bank, and after 1752 was usually that of the Chief Cashier. This practice later became uniform, and from 1782 all notes bore the name of Abraham Newland as payee; he was followed in 1808 by Henry Hase, in 1830 by Thomas Rippon and from 1836-54 by Matthew Marshall.

Each note was signed by a cashier specially appointed for that duty, except that the £1 and £2 notes issued between 1797 and 1821 were signed by "persons of lower rank".

In the top left hand corner of the 1699 notes there is a vignette of a bareheaded Britannia sitting and holding a spear in one hand and an olive branch in the other while looking towards a "bank of mony". On her right hand side is a shield emblazoned with the cross of St. George. From the earliest days the medallion has always been a feature of Bank of England notes. The details were frequently changed but the characteristic features remained: a seated draped figure with the head uncovered, a sprig held in one hand and a spear in the other, a shield with the cross of St. George and the "bank of mony" – which later assumed the appearance of a beehive. Sometimes the figure faces to left and sometimes to right, the spear and the sprig change hands, but the main differences in the early years were in the border. At first the figure was surrounded by a circle of dots, then by one of stars, then by an octagon, until the first foliated border was introduced in 1707. Some of the earliest designs show the medallion in the top centre of the note, but in all notes which have survived it appears on the left hand side.

<sup>1</sup> *Alps and Sanctuaries of Piedmont and the Canton Ticino.*  
<sup>2</sup> It was not until 1704 that a special Act of Parliament made bearer notes assignable.

The best known of all the medallions to appear on the Bank's notes is probably that of Daniel Maclise, R.A., who had been invited in 1850 to design a new vignette. The result was to be seen on every Bank of England note issued between 1855 and 1956 and was not finally discarded until the 1928 issues of £1 and 10s. notes ceased to be legal tender on 28th May and 29th October 1962 respectively.

#### **The development of printed notes**

In 1724 the Bank entered into an agreement with the firm of Henry Portal of Whitchurch in Hampshire for the supply of bank note paper, a connection which has lasted till the present day. The decision was taken in the following year to issue notes on which the amounts were printed and an order was given for copper plates to be engraved. The printing of the amounts was, however, only partial. Thus on a £50 note of 1732 the pound sign and the figure five are printed but the nought sign has been added by hand. The amount in words is printed simply "fifty", the word "pounds" being written in by hand. Notes of this kind could be and were made out for uneven amounts, though the great majority were for round sums.

By 1745 notes were being printed in denominations ranging from £20 to £1,000.<sup>1</sup> By then the amount had ceased to be shown in figures, and in the bottom left hand corner, where a pound sign followed by the amount in figures had appeared, the pound sign was now followed by the amount in words printed in white Gothic letters on a black background. The word "pound" was not printed in the text and the notes could, therefore, still be made out for odd amounts. There is a note of 1772 in the Bank's possession for £28:10:- on which the words "eight pounds ten shillings" have been written in by hand.

As mentioned earlier, notes for £10 and £15 were issued in 1759, notes for £5 in 1793 and notes for £1 and £2 in 1797. In 1765 the issue of £25 notes began. In all these notes the word "pound" or "pounds" is printed in the text after the amount but this was not done in the case of the notes of other denominations until the very end of the eighteenth century. By this time the demand for notes for odd amounts had become negligible.

The elimination of handwritten figures and words from the Bank's notes was not finally completed until 1853. Before 1798 most of the vital data was written by hand but from that year onwards the name of the payee – since 1782 always that of the Chief Cashier – was printed. A further step was taken in 1809 when the Bank decided to use a machine, invented by the engineer and locksmith Joseph Bramah, for printing the numbers and dates on their notes. Each machine could number and date more than double the amount of notes that a clerk had been able to deal with by hand. At the same time it was decided to discontinue the practice of having the notes countersigned. When it is borne in mind that in 1805 no fewer than eighty-four clerks had been employed in numbering, dating and countersigning the notes, it will be seen that these changes made possible a not inconsiderable economy of manpower.

<sup>1</sup> The denominations were £20, £30, £40, £50, £60, £70, £80, £90, £100, £200, £300, £400, £500 and £1,000.

After 1809 the only handwritten part of the note was the cashier's signature but, although under an Act of Parliament passed in 1820 "For the further prevention of Forging and Counterfeiting Bank Paper" the Bank were empowered to have the signatures on Bank notes and Bank Post Bills<sup>7</sup> printed, it was not until 1853 that this system was adopted and the Bank note became a wholly printed instrument.

The Bank's notes came still nearer to their modern form in 1855 following a decision to omit the name of the Chief Cashier as payee and to make them payable, as today, simply to bearer. The printed signature on the notes continued to be that of one of three cashiers until 1870, when it was decided that it should always be that of the Chief Cashier himself.

### **Production of Bank notes**

Until 1791 the printing of the Bank's notes was carried on outside the Bank's premises by successive private printers who did not work exclusively for the Bank. One of the best known of the early printers and engravers of Bank of England notes was James Cole who took over the engraving in 1721 and the printing in 1731. His business was carried on at the sign of "The Crown", Great Kirby Street, Hatton Garden, and when he started working for the Bank he had already established his reputation. He continued to work for them until his death in 1748 when he was succeeded in the family business by George Cole.

The procedure for printing the notes at this time is set out in the reports of a committee which had been appointed by resolution of a Court of Directors of 13th March 1783 "... to inspect and enquire into the mode and execution of the Business as now carried on in the different departments of the Bank." The bank note paper as it was manufactured was despatched to the Bank by wagon in large iron-bound chests from Portal's mills at Laverstoke. At the Bank it was kept under the custody of the cashiers, who each month sent to Cole a supply sufficient for the month's production. Each morning one of the cashiers and a clerk drew the engraved copper plates from the Treasury in the Bank, from which they were taken by the clerk to Great Kirby Street. The clerk remained there to supervise the printing and to take over and count the sheets as they came from the presses. After the day's work, the clerk returned to the Bank with the plates. The printed sheets meanwhile were hung up to dry, during which period they were in sole custody of the printer. When ten reams – four or five days' work – had been produced they were delivered to the Bank.

The committee of enquiry considered it very undesirable for the paper and plates to go out of the Bank but it was not until 1791 that Cole's business was transferred within the Bank. Even so, he continued to be in full control of his staff whom he engaged and dismissed without reference to the Bank.

Before the printers came to work in the Bank, the daily production of notes of all denominations had been about 2,000 but the introduction in 1797 of the low denomination notes led to a great increase in the number of notes required

<sup>7</sup> These were notes payable at three days' sight (and later at longer periods) to order, so that in the event of their being stolen, payment could more easily be stopped.

and by 1800 the £1 and £2 notes produced each day alone numbered about 15,000. By 1805 the total number of notes of all denominations produced each day had risen to 30,000.

By this time the work of printing the Bank's notes was in the hands of Garnet Terry, who, like his predecessors, had a private contract with the Bank and full control over his staff. This system was changed in 1808 when Terry was sworn into the Bank's service as their copper plate printer at the substantial salary of £1,000 per annum,<sup>1</sup> one of the conditions of the appointment being that he should give up his private business.

In the same year the Printing Department, which had been operating under very cramped conditions, was accommodated in new premises at the north-west corner of the Bank which had been erected following the straightening of Princes Street. The department continued there until 1917 when it was moved to converted premises in Old Street which had been occupied by St. Luke's Hospital. Today the Bank's printing is done at Loughton in Essex in a large factory, the building of which commenced in 1953, and which came into use in 1956.

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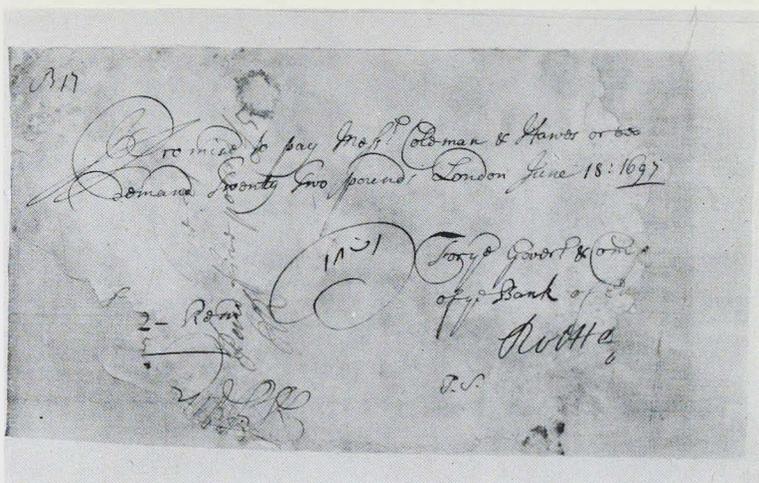
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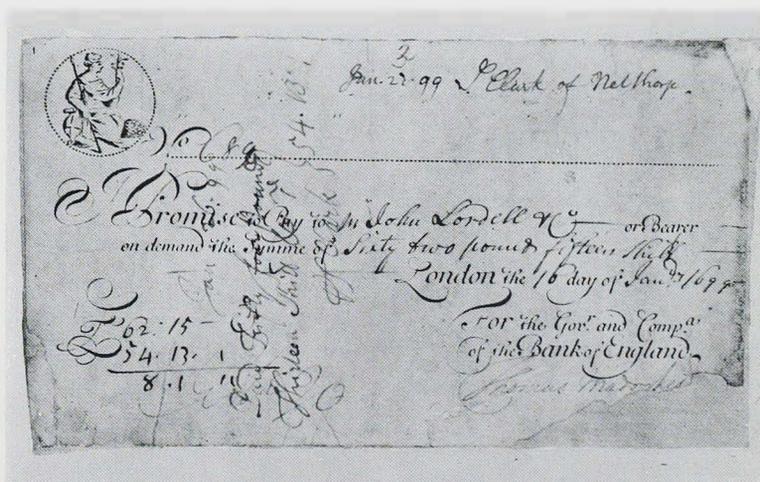
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<sup>1</sup> A sum considerably in excess of the salary received by the Chief Cashier at that time.

Entirely written by hand; signed by Robert Hedges, who was 2nd Cashier; for £22, with a payment of £5 and a balance of £17



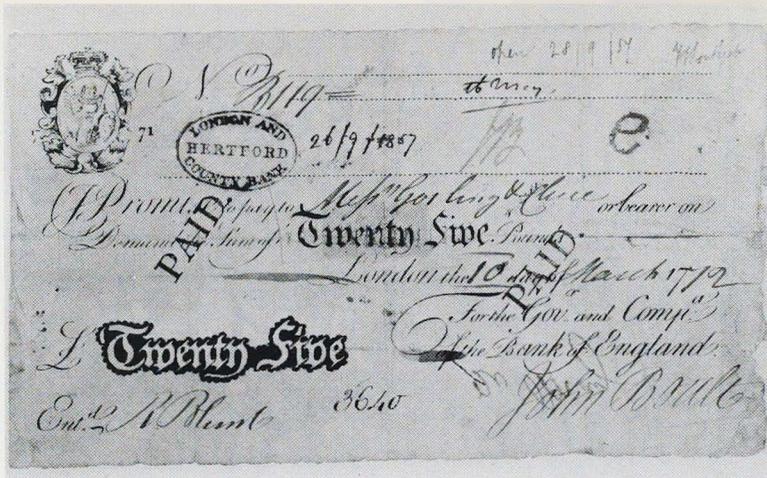
Showing the earliest medallion on the notes. Signed by Thomas Madockes, Chief Cashier, 1699-1739



An early printed amount, £20; a foliated border to the medallion



A note for £25 evidently printed in 1771 but not put into circulation until 1772



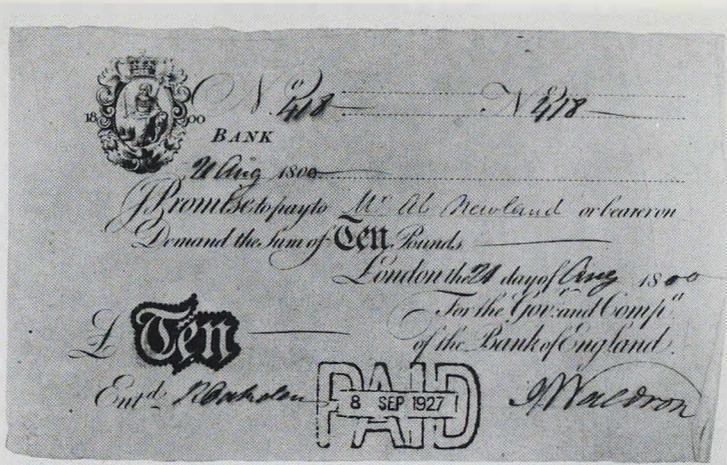
The first printed note for £5 made payable to Abraham Newland, the Chief Cashier, and signed by G. Collins



An example of a £1 note issued during the restriction period 1797-1821



A £10 note of 1800 paid after having been in circulation for 127 years



An example of a fully printed Branch note (Portsmouth) showing the medallion designed by Daniel Maclise R.A. which appeared on all black and white notes between 1855 and 1956, and on the 10/- and £1 notes issued between 1928 and 1961



The printed signature of the Chief Cashier in place of one of the appointed cashiers had been introduced in 1870



## Appendix

### Printed notes issued by the Bank of England

The table below shows when each denomination of 'London' notes was first issued and the date of its discontinuance; no distinction is drawn in the table between varying designs. The issue of notes by the Bank's branches, first made in 1826, was discontinued in 1939; since then the branches have acted as distribution centres for notes.

Denomination	First printed	When issue ceased
10s.	1928	Still issued <sup>a</sup>
£1 (first issue)	1797	1821 <sup>b</sup>
£1 (second issue)	1928	Still issued <sup>c</sup>
£2	1797	1821
£5	1793	Still issued <sup>c</sup>
£10 (first issue)	1759	1943
£10 (second issue)	1964	Still issued <sup>c</sup>
£15	1759	1822
£20	1725	1943 <sup>c</sup>
£25	1765	1822
£30	1725	1852
£40	1725	1851
£50	1725	1943
£60	1725-45 <sup>d</sup>	Before 1803
£70	1725-45 <sup>d</sup>	Before 1803
£80	1725-45 <sup>d</sup>	Before 1803
£90	1725-45 <sup>d</sup>	Before 1803
£100	1725	1943
£200	1725-45 <sup>d</sup>	1928
£300	1725-45 <sup>d</sup>	1885
£400	1725-45 <sup>d</sup>	Before 1803
£500	1725-45 <sup>d</sup>	1943
£1,000 <sup>e</sup>	1725-45 <sup>d</sup>	1943

Since 1st November 1870 the printed signature of the Chief Cashier has appeared on all notes. The first was that of George Forbes who had been appointed to the post in 1866; his successors, together with the dates of their appointments, were:

F. May	30th July 1873
H. G. Bowen	9th November 1893
J. G. Nairne	9th November 1902
E. M. Harvey	9th May 1918
C. P. Mahon	1st April 1925
B. G. Catterns	27th March 1929
K. O. Peppiatt	18th April 1934
P. S. Beale	1st March 1949
L. K. O'Brien	17th January 1955
J. Q. Hollom	1st March 1962
J. S. Fforde	1st July 1966

### Signatures on printed notes

In 1853 the system of printing signatures on notes was adopted and the signatories were:

	1853-60	1860-65	1866-70	
£5 £10	J. Vautin	W. P. Gattie	Hy. Dixon	
	H. Bock			
	J. Ferraby			
£20 £50 £100	J. Williams	T. Kent	T. Puzey	
£200 £300 £500 £1,000	J. Luson	C. T. Whitmell	W. O. Wheeler	

<sup>a</sup> The issue of the 10s. note will cease in October 1969, when a 50p. coin will be issued.

<sup>b</sup> Apart from the 'crisis' issue made in 1825 and 1826.

<sup>c</sup> A new series of notes will be issued in the near future, beginning with the £20 note during 1970.

<sup>d</sup> Between the dates shown.

<sup>e</sup> Notes of over £1,000 are still used within the Bank of England on behalf of customers; for example, they are held for banks of issue in Scotland and Northern Ireland as cover for their excess note issues. Suggestions that notes of over £1,000 (notably a million pound note) have ever been issued are entirely without foundation.