

# Mutilated Bank of England notes

*It is inevitable that bank notes are sometimes accidentally damaged, often severely. Such damage does not invalidate the promise to pay on a Bank of England note (which is unlimited in time) and the Bank will always honour its notes. This article, one in an occasional series describing aspects of the Bank's work, explains the present arrangements for meeting claims by members of the public for payment of mutilated notes.*

In some countries, mutilated notes presented for payment are paid only in proportion to the area of the remains submitted. The Bank of England, however, has always regarded its notes as payable either 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 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 that there is no possibility that the same note might be paid twice.

Since 1963, when this subject was last reviewed in the *Bulletin*,<sup>(1)</sup> and applications for payment of mutilated notes were running at about 100,000 per year, both the 10s and the £1 note have ceased to be issued. Not surprisingly, this has greatly reduced the number of applications received. The location of the work also changed when the Mutilated Notes Section was transferred to the Bank's Newcastle Branch, in 1975, as part of a decentralisation exercise.

The number of applications received each year peaked in the early 1970s at about 180,000. Some fifty staff were then needed to handle the work. At the time the operation was transferred to Newcastle, claims had fallen to about 150,000 per annum but this still required some forty-five staff. The number of claims then fell steadily until the early 1980s as higher sum notes, fewer in number and better cared for than £1 notes, circulated more widely. As the purchasing power of the £1 note fell, the public perhaps also became less inclined to make small value claims. Once the £1 note ceased to be issued at the end of 1984, there was a further drop in claims, and by the late 1980s the workload was less than half that of ten years before. All this, together with a more streamlined approach to the painstaking job of piecing notes together for adjudication purposes, has led to a great reduction in the number of staff required.

Today the section is staffed by only six people (who refer to themselves as the Bank's 'Mutilated Ladies'), but even so, they deal with over 27,000 applications in a year. In spite of the decline in the number of applications, the annual value of claims paid out has remained constant over the past six years, at about £800,000.

## Claims procedures

The method of dealing with mutilated notes has always depended on the age of the notes and the severity of their damage. Slightly mutilated notes have long been exchangeable by members of the public at banks or post offices, which have been given delegated authority to make such exchanges within certain guidelines. To qualify for payment in this way, a note must be of the current issue and must conform to the following requirements:

- it must be greater in area than half a whole note and, if not in one piece, consist of not more than four fragments;
- it must contain the whole of the sentence 'I promise to pay the bearer on demand the sum of . . . . pound(s)';
- it must bear at least one third of the Chief Cashier's signature;
- it must bear one complete series index and serial number—not necessarily in one corner—and, in addition, at least two whole letters or figures in either corner.

Mutilated notes which do not satisfy these requirements have to be submitted to the Bank of England. The applicant gives details of the notes involved in the claim, the circumstances in which they were damaged and the name and address of a person who can vouch for his or her good faith. Applications are posted to Newcastle and successful claims are paid by cheque through the post.

## Adjudication

In adjudicating these claims, the Bank makes immediate payment if the mutilated note contains all of the essential parts. If, however, there are missing parts which 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 there are many cases which have to be judged on their merits and in the light of past experience. The decisions depend upon such factors as the

(1) See the September 1963 *Bulletin*, pages 199-201.

condition of the fragments available, the evidence of destruction of the remainder, the possibility of identifying the notes, the consistency of the account of the damage with the state of the fragments, and, in the 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 six months to allow time for such a claim to appear. Sometimes, complementary parts of the same note are presented by different persons and in such cases each applicant is informed of the name and address of the other and the fragments, stamped 'valueless without other portion', are returned to the respective applicants.

Much skill and patience is required in examining a heap of charred or shredded fragments to discover how many separate notes can be identified. Fragments of metallised thread from notes, which sometimes survive the surrounding paper, can be a useful help in this work but are of little service by themselves; a thin strip of blackened metallised material is not in itself evidence of a destroyed note. Detailed examination of the fragments submitted with a claim often fails to provide satisfactory evidence of as many notes as the applicant has stated were involved. On the other hand, it is by no means uncommon for a claimant to be informed that examination of the fragments submitted enables the Bank to pay a larger number of notes than had been assumed to have been damaged. When a consignment of remains is so badly damaged as to be beyond normal recognition, such as ash, the Newcastle Branch asks the staff of the Bank of England's Printing Works to carry out a scientific analysis. No payment is made when there are no identifiable remains submitted with the claim.

## Disasters

Bank notes are sometimes damaged in tragic circumstances; notes from the Zeebrugge ferry disaster and more recently, Lockerbie, have been received for payment. Special care needs to be taken when dealing with notes contaminated by body fluids and noxious substances, and banks and post offices have specified procedures to follow when applicants wish to obtain

value for such notes. They should of course never be sent through the post.

## Accidents

Other explanations for damage range from the bizarre to the mundane. The appetite of almost every conceivable household pet has been blamed when accidental damage has been caused. Some of the more unusual animals involved in eating notes have been camels and ferrets and many of the explanations of how the damage occurred are so strange that they seem unlikely to have been invented. Fire and water, however, account for damage to a large number of the notes which reach the Bank and the circumstances can be classified generally as accidental ('note fell from mantelpiece on to open fire') or as involving ill-judged attempts at storage or concealment—the remains of rotted notes which have been hidden under floorboards or buried in the garden are presented regularly. The number of people who choose to protect notes from burglars by hiding them in the oven—and these days, in the microwave—never fails to bring a smile to the faces of those whose job it is to sort out the ashes left after an unsuspecting person has attempted to cook the dinner. Flood damage, caused by adverse weather or leaking pipes, is also common and quite large quantities of soggy notes are retrieved from floor safes affected in this way. Many notes are discovered either when the washing machine breaks down (usually because of the amount of Bank note paper wedged in the pump!) or when the ironing is being done. It is as true today as in 1963 that some of the products of detergent manufacturers could claim, among their other characteristics, the ability to reduce a Bank note to a white sheet of paper.

Although the Bank's work in meeting claims for accidentally damaged notes has fallen over the last twenty years, the propensity of the public (and, in some cases today, machines) to do strange things to Bank notes remains undiminished. There is consequently every reason to believe that the need for this service will continue for a long time to come.