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Treasury Note, August 1914



On the eve of World War One, Britain's economy was in crisis. The days leading up to 4th August saw banks and discount houses refuse bills and call in loans. Interest rates soared 7%, the Stock Exchange plummeted and the Bank of England's bullion yard hummed from dawn till dusk as people set about exchanging notes for gold. Drastic measures were required. And taken.

Early comers to the City yesterday morning [31st July] were confronted...with a preliminary illustration of the conditions likely to prevail on the outbreak of a European war...“The Stock Exchange is closed” was on everybody’s lips. The paper boys shouted it all over town, while the busy stream of traffic wended its way through Old Broad Street in happy disregard of the intentions of those who control the destinies of Continental army corps, the congestion being rendered more than usually acute by the advance brigade of Bank Holiday-makers, with their luggage, golf clubs, etc, piled on taxis. (Financial Times, 1st Aug 1914) Stock Exchange worthies were reduced to playing dominoes in a nearby Lyons’ Corner House, while countless jobbers, commissionaires and office boys milled about the City streets.

The closure of the Stock Exchange was followed by that of the banks. On Monday 3rd August the Chancellor of the Exchequer, Lloyd George, announced that that day's Bank Holiday would be extended for an additional three days. This bought the government valuable time in which to shore up Britain's beleaguered economy. By the time the banks reopened on Friday 7th August, a month-long moratorium had been imposed, the Treasury had agreed to guarantee the Bank of England against losses on discounted bills and a new law had been passed aimed at easing the pressure on Britain's coinage. This last measure effectively took Britain off the gold standard, since it allowed the Treasury to issue two new notes, equivalent in value to the sovereign and half sovereign. The first £1 notes (pictured), issued on 7th August, were simply designed and printed on wafer thin postage stamp paper, although subsequent issues used sturdier paper and boasted colour images of St George and the Dragon. Both they and the 10s notes, which started circulating a week later, became known as 'Bradburys', after the permanent under-secretary to the Treasury, Sir John Bradbury, whose facsimile signature graced each one. And fears the public would reject them proved groundless. Bank managers up and down the country reported customers were only too eager to get their hands on the new notes, regarding them as souvenirs of the historic crisis.

Within days of the banks reopening, a barrage of circulars, proclamations and memos was pouring into 37 Fleet Street: on trading with the enemy, foreign exchange, 'Bradburys', Postal Orders as legal tender, the bank accounts of 'Alien Enemies'. A circular issued on 17th August, for example, offered guidelines on Bills of Exchange. While in theory original Bills could, with the exception of those bound for Germany, Austria and Hungary, be dispatched as usual, in reality a more piecemeal approach was necessary. The circular therefore advised that originals should still be sent to certain countries, including the USA and Canada, but that notarially certified copies be kept for others, such as Egypt. Bills destined for France should be retained, not because of any disruption to the postal service, but because there was a shortage of French banking staff to deal with them. As for

Russia: *It is absolutely impossible to forward bills to Russia for payment, consequently all bills should be retained here.*

Such hurried and sweeping changes inevitably caused confusion, which in turn led to yet more circulars. In mid August, Treasury officials were forced to intervene when it emerged that some banks were using a circular on the Banking Accounts of Alien Enemies and the moratorium to freeze the accounts of customers who either had been naturalised many years back or were unfortunate enough to have German sounding names. While there is no evidence to suggest this happened at Hoare's, the all-pervading air of suspicion and uncertainty was characterised by one of the bank's elderly clerks, who confessed in his memoirs that he came to regard a regular customer – previously *a most attractive & friendly fellow* – as *a Germany Arch-Spy*, apparently on the grounds that the man had a German name, had once holidayed at Whitby – *one of the places shelled by the German fleet during the War* – and had replied to the clerk's remark that there could be no war as Germany was not ready by barking "*Germany is always ready*", after which *He stalked out of the Bank & I never saw him again.*

Beyond this, the outbreak of war was greeted at Hoare's with little outward alteration. Senior partner Alfred Hoare later recalled that the bank escaped the pre-war flight to gold: *...only two of our customers made any unusual demand upon us and we received many [communications] from our customers with offers to help should we require it.* And the only discernable change encountered by customers when the bank reopened on 7th August would have been an official notice by the Cashier's desk: *Notwithstanding the moratorium declared by the Government the banks are willing to make small payments to customers until the Government has provided more currency. Customers are requested to show every consideration under these circumstances.* Anyone overdrawn on 4th August, though, received an additional notice, one couched in the bank's customary understated style: *In view of the present state of affairs, we think it well to advise you that we are not prepared to increase your present overdraft.* This, commented Alfred, had a surprising result: *A curious effect of the war was that accounts that had been overdrawn for years, in most instances, righted themselves in a very short time.*

Behind the scenes, however, significant changes were afoot. Not least among the many practical issues to be addressed was the security of the bank's premises. Large numbers of sandbags were soon propped up against the strong room to guard it against Zeppelin attacks. But the Partners were divided as to whether or not this was sufficient. In early 1916, therefore, they approached the Bank of England for advice. Should they adopt more radical measures? The reply was not entirely reassuring: *I don't believe anything is absolutely secure against high explosive bombs*, wrote deputy governor Brian Cockayne. He suggested the Hoares concentrate on ensuring everything of value was stored in metal safes. As an extra precaution, they could consult Colonel Fox of the London Salvage Corps, although: *[he] has not so far suggested anything very revolutionary...and is dreadfully busy.*

For the Partners, the war's impact was immediate. Arthur Hervey Hoare departed for military service at once, closely followed by Harry Hoare. With Algernon Strickland seriously ill for most of 1914-15 and Peter Hoare living in virtual retirement at Luscombe Castle, Devon, much of the day to day running of the bank fell on Alfred Hoare and, in particular, the most junior partner, Edward H Hoare. Given that the Partners were scattered so widely instead of inhabiting the Partners room at Fleet Street as they had been accustomed to, and that major decisions had to be made at short notice in an increasingly fluid environment, tension was unavoidable. As Harry replied to Peter in April 1915 when the latter complained at not being consulted enough: *I am sorry, but I don't expect you quite appreciate the times we are living in with the partners all over the shop,*

or I should say nearly all away from the shop! Points have to be decided more or less as they come along, involving in many cases new departures from old customs. The very next point to be decided amply illustrated this quandary: *...old Nye...is much distressed, wrote Harry, because his profits work out at less than his pension would come to were he to retire – he wants to know if we will guarantee him a minimum if he stops on. That opens up a big question as to whether it would be better to get rid of the business now or not.* Jesse Nye, a clerk at Hoare's since 1863, had been acting as the bank's broker since 1881. Now in his mid 70s, he was feeling the full effect of a wartime economy. The Stock Exchange had finally reopened in January 1915 after a five month closure, but trading conditions remained challenging, making Nye's job increasingly difficult. After much discussion, the Hoares eventually decided in September 1915 to close their broker's City office and transfer all future Stock Exchange business to J Capel & Co.

The outbreak of war also brought with it financial consequences for the Partners. Traditionally the annual balance was calculated at Michaelmas and the profits shared out soon afterwards, but the recent economic crisis coupled with the uncertain outlook resulted in most of the bank's profits for 1914 being set aside in case they would be required by the business. For Peter Hoare, an unsalaried Partner, this came as a particular blow. His share of the profits in 1914 was £1,346, £4,000 less than the previous year. Yet, as he pointed out to Edward Hoare, his obligations had not diminished: *...we are told that those who are too old or for various reasons cannot join the army, are to carry on as usual, not discharge people but give as much employment etc as possible, but how is this to be done if suddenly one has not the means or wherewithal to do it?* Dismissing the servants and letting Luscombe would allow him to live more frugally, he conceded, but: *it would be absolutely certain to cause a great deal of gossip...which in these times, would probably grow into entirely unfounded & foolish rumours with regard to the position of the Bank...the particular thing I wish to avoid.*

Sweeping changes were engulfing the bank's staff too. Throughout Hoare's 240 years, turnover amongst the clerks had been minimal. Vacancies rarely occurred, since those appointed tended to stay for decades. But within the first month of the war seven of the bank's 33 clerks had enlisted. Five more would depart during the following year, along with one of the bank's three porters, while the introduction of conscription in 1916 gobbled up many more. The Hoares promised all those who left would have jobs to come back to. And their offer to make up any shortfall in salary ensured those who enlisted would not be out of pocket. But in the meantime replacements had to be found. At first older men or those rejected for military service were engaged. But by January 1915 the bank was left with no option but to recruit Lady Clerks. Between 1915 and 1918, 39 of the 53 temporary staff employed by Hoare's were women. They were paid the same as their male counterparts, between £40 and £60 p.a., but barred from jobs that brought them into direct contact with customers, such as Cashiers.

This regular turnover of staff – some temporary recruits lasted just days or weeks – inevitably led to a loss of knowledge about the bank's customers, their habits, likes and dislikes, even (critically) their signatures, knowledge its regular clerks had taken years to acquire. At the same time, however, customers were relying on the bank more than ever. *As you may have seen by the papers, wrote one in December 1915, we were torpedoed in the Mediterranean, 80 miles off Port Said. I have lost everything including my Letter of Credit from you & letter of Identity. Will you kindly send me another letter of Credit as soon as possible...We spent 11 hours on the open sea in life boats...a terrifying experience; if it is possible for you to communicate with the Pay Master General at the War Office...ask him to forward me fresh application forms for my pension, as all the papers they sent me went down with the ship...[ps] Kindly send a cheque book as that is gone also. Address to me c/o Thos Cook & Sons, Hong Kong, China.* Another customer, writing six months

later, put his plight more succinctly: *My cheque book having been destroyed in the recent action in the North Sea please send me another containing 96 order cheques.*

Appeals like these, together with the new regulations and the relative inexperience of its clerks, significantly increased the bank's workload. The working day grew longer while the annual leave allowance shrank from four weeks to three. But the greatest burden rose out of the government's insatiable desire for cash. At a meeting of City bankers in July 1915, attended by Alfred Hoare, the Chancellor of the Exchequer put the cost of Britain's war effort at £3M a day. One obvious money-spinner was taxation. As soon as the war began, therefore, the income tax rate doubled to 12%. By 1918 it had reached 30%, while the number of people liable for income tax quadrupled. Supertax rates also increased, as did the rate and number of indirect taxes covering everything from beer and tobacco to hats and cinema tickets. Administering these taxes ate into the clerks' working day and ultimately signalled the end of another long-standing Hoare's tradition. On 5th April 1916, the Partners' memo book recorded: *Owing to the difficulty of calculating Income Tax, caused by our Bank year not corresponding to the Government Financial year, we agreed to make up our accounts in future on this date [instead of Michaelmas].*

Another key weapon was borrowing. Various international loans were entered into, but money was also raised domestically via three War Loans. The first War Loan, offering 3.5% interest and repayable in 1925-28, was launched in November 1914. It was followed by a second (4.5%) in June 1915 and a third (5%) in January 1917. But despite a series of colourful, patriotism-laden posters, heavy promotion in the press – *If you cannot fight, you can help your country by investing all you can in 5% Exchequer Bonds... Unlike the soldier, the investor runs no risk* – and promises of payment by instalment, the public were slow to subscribe, obliging banks to make up the shortfall. Hoare's duly invested in all three Loans, bought subscriptions on behalf of customers and converted existing subscriptions from one Loan to the next. Such activity, however, placed an enormous strain on its Brokers' Department, particularly after the launch of the third War Loan, which attracted much greater public support than its predecessors. To meet the demands of the third War Loan, the Hoares hired an extra broker and doubled the Brokers' Department office space. Even this was not enough though. According to Alfred Hoare, the third War Loan: *involved a great deal of extra work in which we were assisted by our wives & daughters. In consequence of the extra pressure put on our Stock Department we gave special gratuities to three of our Clerks.*

By the time the war ended in November 1918, Britain was exhausted. The National Debt stood at 136% of GDP and the cost of living was spiralling. Recognising this, the Hoares announced a one-off payment of £50 to each male clerk, £12-10-0 for every dependent under 18 and £20 to any Lady Clerk who had completed one year's service. The end of the war, however, signalled the end of the Lady Clerks. In 1919, with demobilisation in full swing, the Partners began issuing them with six month notice periods, *so that they should have ample time to find another situation.* This retreat was temporary though. By the 1930s, female clerks had become a familiar sight at Hoare's. Nor were they the war's only legacy. In 1932, Chancellor Neville Chamberlain converted the 1917 War Loan, originally repayable by 1947, into perpetual bonds paying 3.5%. As a result, nearly £2BN worth of War Bonds remain in circulation to this day.