Baker Street Elementary

Presents

"The Life and Times in Victorian London"

Baker Street Elementary

& The Victorian Web

The Life and Times in Victorian London

111 – Taking it to the Bank – British Banking -- 09/10/2020

Welcome to topic number 111… Lyndsay and I will be discussing the British banking system during the Victorian period…

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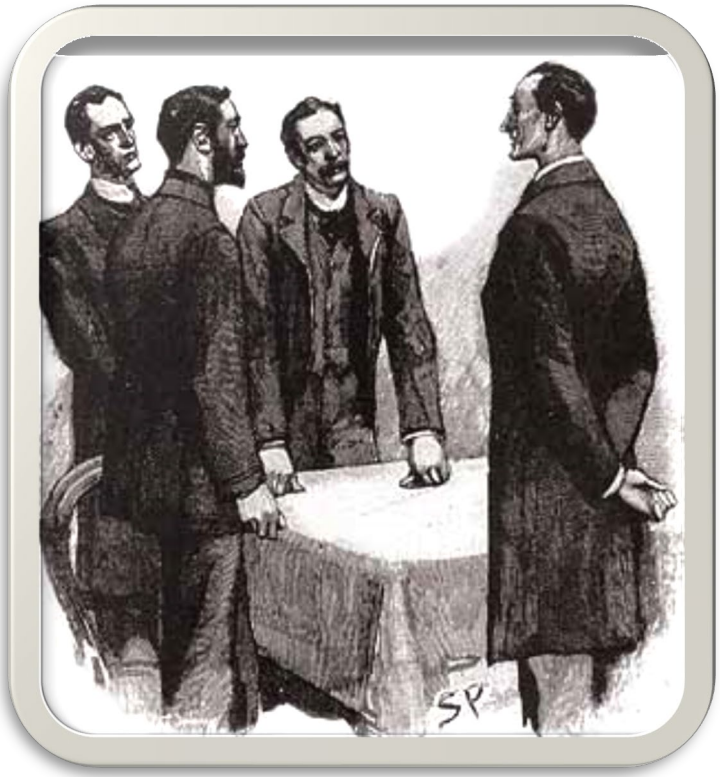
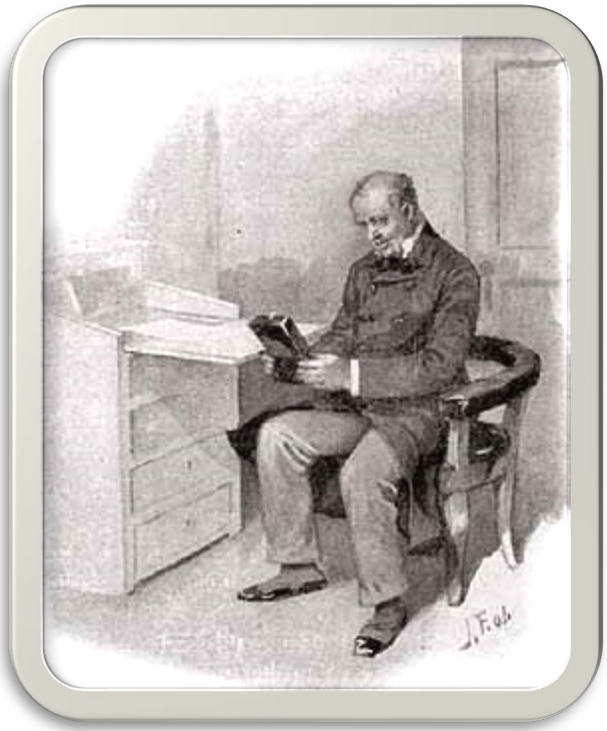
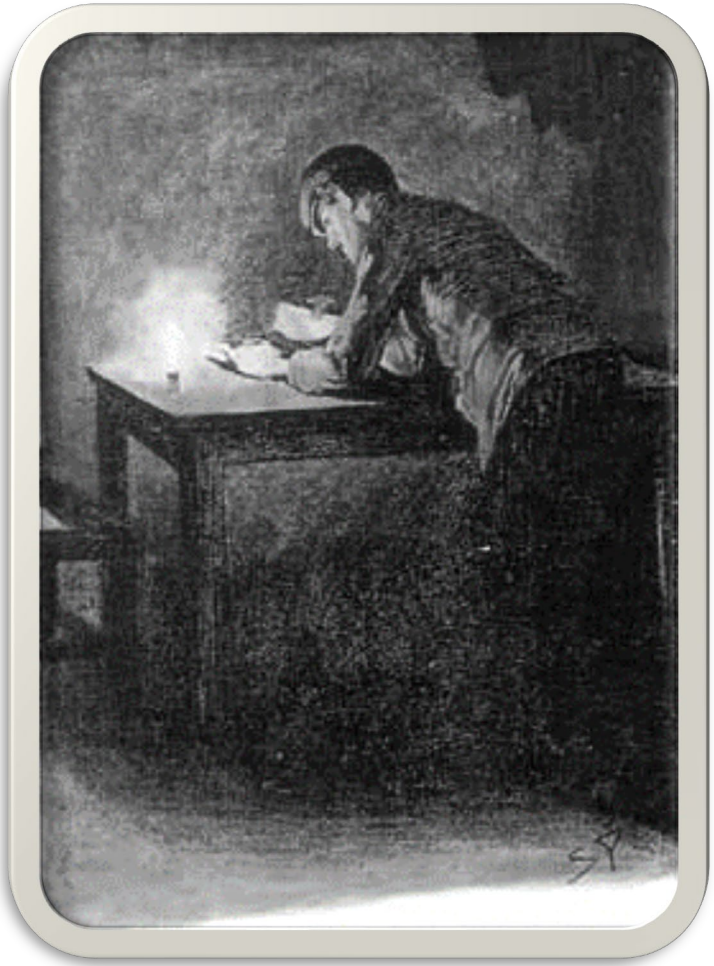
Six cases in the Canon will provide insights into bankers' role in Victorian England. In addition to the guardian of deposited funds, as will be mentioned in "The Resident Patient,"…



…the banker will also be the protector of other valuable items (such as jewelry or an incriminating photo) as will be mentioned in "The Disappearance of Lady Frances Carfax" and "A Scandal in Bohemia."

They will also lend funds, as the bank did in "The Beryl Coronet," as well as a guarantor of a client's worth and character, as Dr. Watson will offer in "The Illustrious Client."



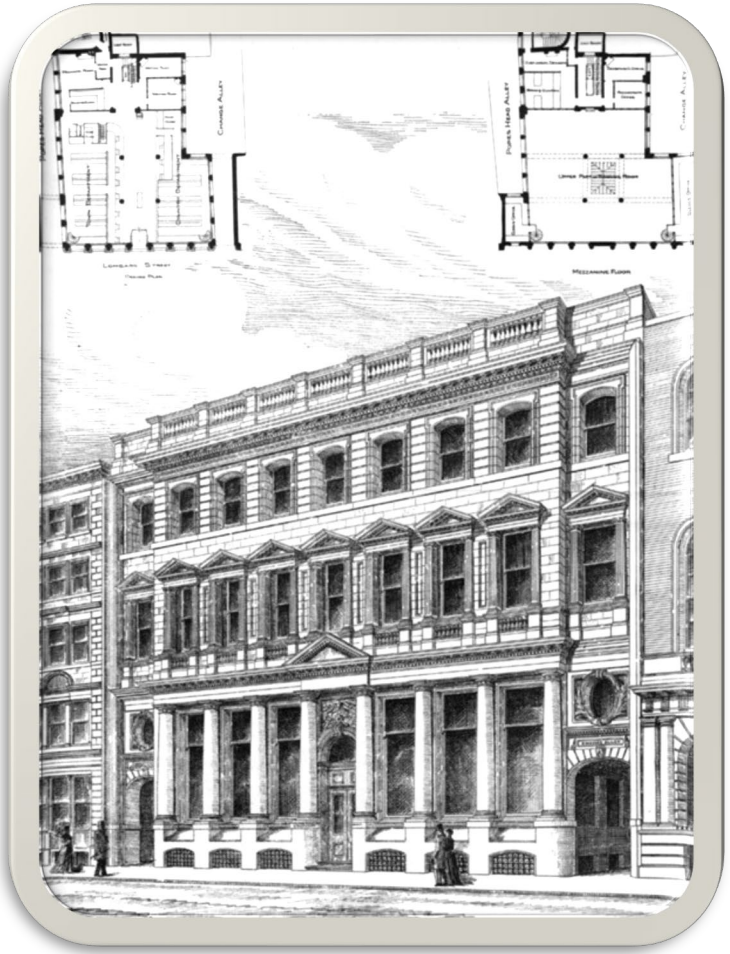


Of course, as Blessington/Sutton will illustrate in the "The Resident Patient" and Neligan in "Black Peter," banks are vulnerable to both robbery as well as collapse due to poor management.

British banks and businesses will develop simultaneously (one supporting the growth of the other), during the Industrial Revolution, and financial institutions will be the most diverse by the end of the 1800s.

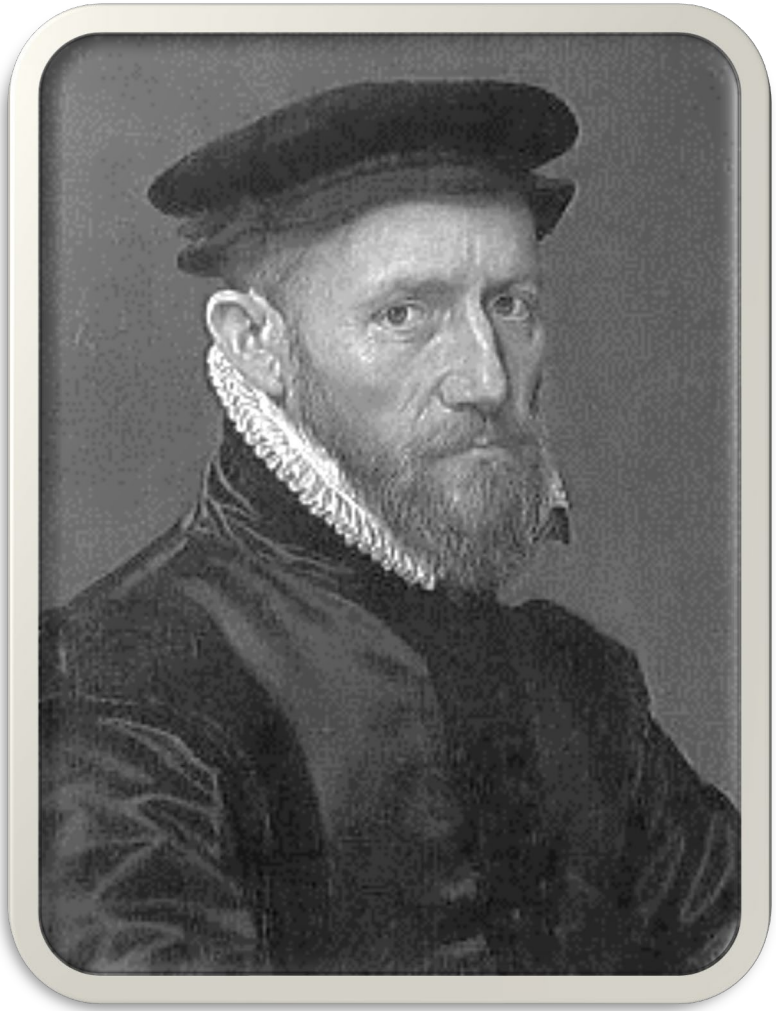
After certain religious groups, who had served the Crown as their Exchequers, were forced out of the country in the Middle Ages, Italian merchants filled the void. London's financial district, located on Lombard Street, takes its name from Lombardy, Italy.

Their arrival coincided with the advent of a commercial society and creation of surplus funds.



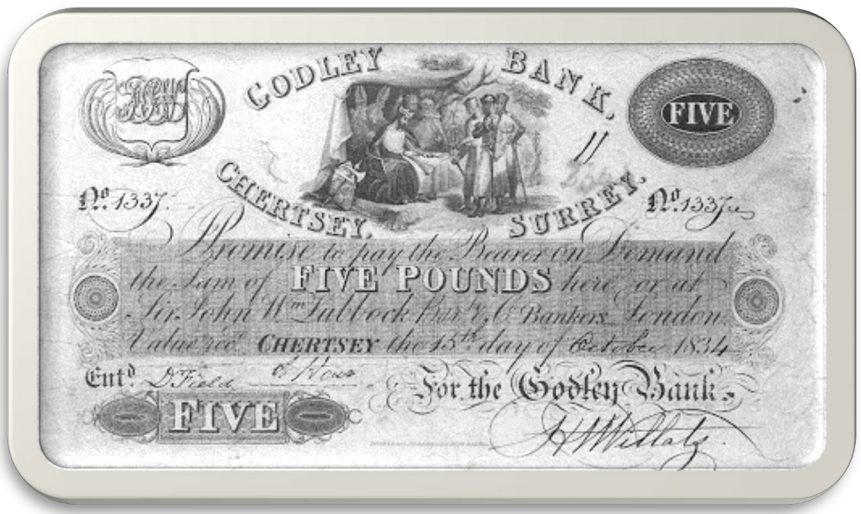
They first conducted acceptance of deposits and lending of funds (first allowed under Henry VIII at 10% interest), on benches, or <u>bancos</u>, along the street, from which the term "bank" developed.

British businessmen copied these practices, and the most successful of these, Sir Thomas Greshman, became "the Father of English Banking," by lending and borrowing money, primarily among merchants.



Another group also involved in developing the British banking sector were the goldsmiths. These merchants provided a means of foreign currency exchange, accepting plate or other items and issuing a receipt for the amount deposited with them.

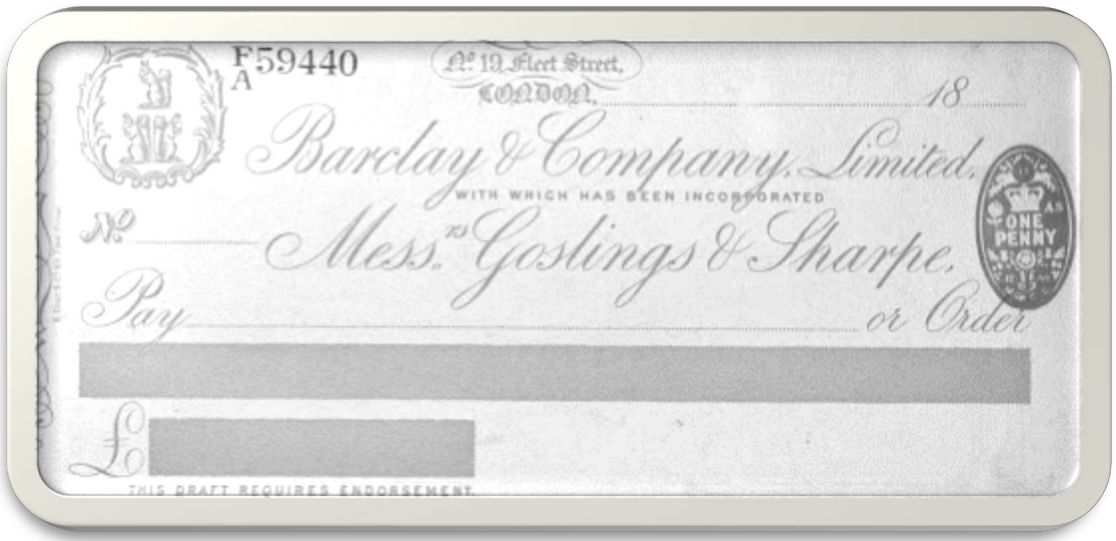
The original owner could then write instructions to the jeweler to provide the bearer of the note with an amount, drawn from what had been deposited. These goldsmiths evolved into private banks, some of which still exist today.



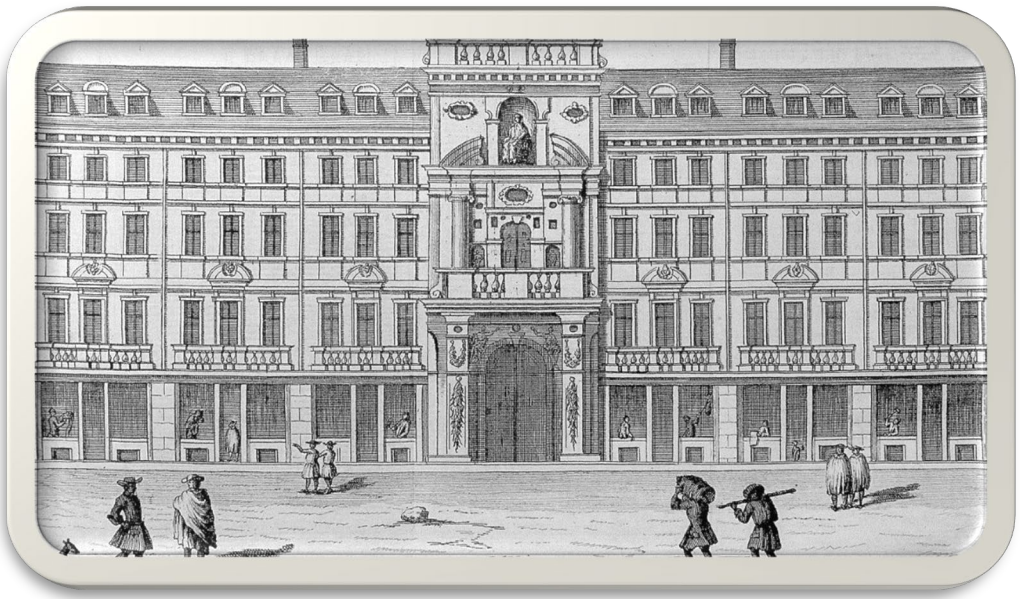
By the 1700s, banks would issue "banknotes" (paper money in current society) in certain denominations that could be paid on demand at the bank for coin.

Such paper was different from a "drawn note," or "cheque," described above where the account holder would direct a bank to pay the bearer a specified amount.

Printed cheques appeared in the 1720s, and by the 1770s, a special cheque clearing process had been developed because so many transactions were conducted using these notes.

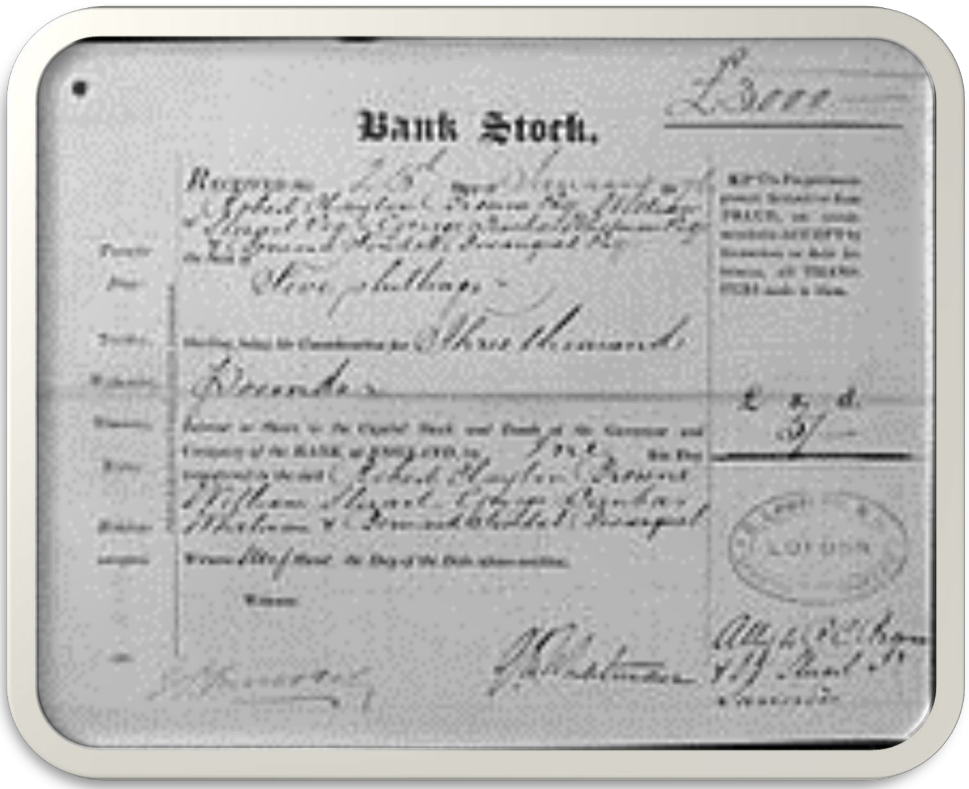


One particular goldsmith bank was founded in 1694 to raise funds for the British government in the war against France. The Bank of England received a Royal Charter and was given the power to issue their own notes, running all other bank notes out of circulation.

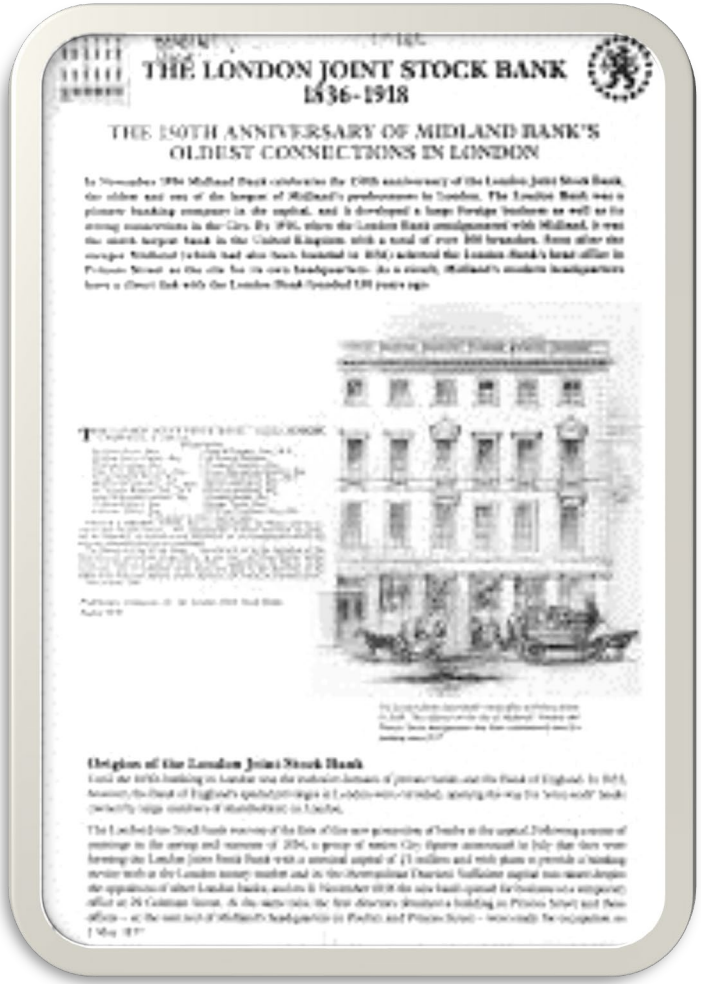


Given its Charter, the bank became the government's bank as well as the "bankers' bank" where other banks deposited their funds.

While private bankers and the Bank of England remained operating only within London, other banks will develop in the provinces, created by entrepreneurs and others spurred by the Industrial Revolution.



In addition, Parliament permitted the development of joint-stock banks also in the provinces.



THE LONDON JOINT STOCK BANK
1836-1918

THE 150TH ANNIVERSARY OF MIDLAND BANK'S OLDEST CONNECTIONS IN LONDON

Origins of the London Joint Stock Bank

These banks will be supported by several shareholders who, over time, bought out the private banks, as well as opening branches to allow businesses to draw funds in different parts of the country (although clearing cheques proved to involve several days as accounts had to be credited and debited by the bank's head office).

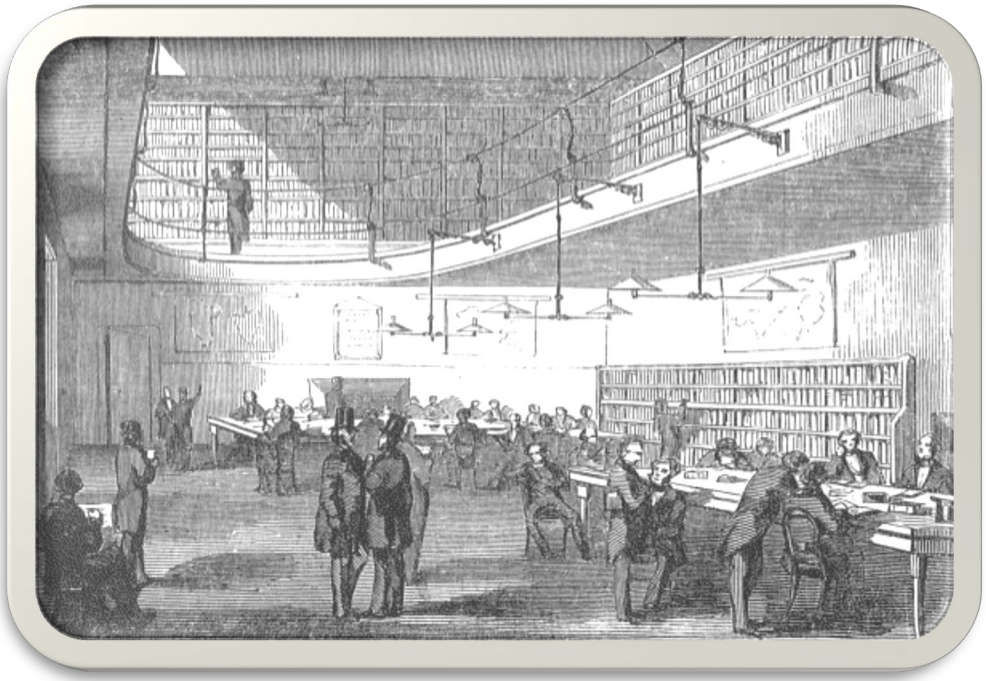
In 1844, 442 banks operated throughout the country, with 569 branches, issuing £30.4 million in paper money, of which only a little more than half was issued by the Bank of England.

Consolidation of these numerous banks began shortly after, reducing the number to 326 by 1884 — although the number of branches increased to 2,075. Banknotes will become less popular for provincial banks, as those issued by the Bank of England will increase and cheques will become the major form in which business is transacted.

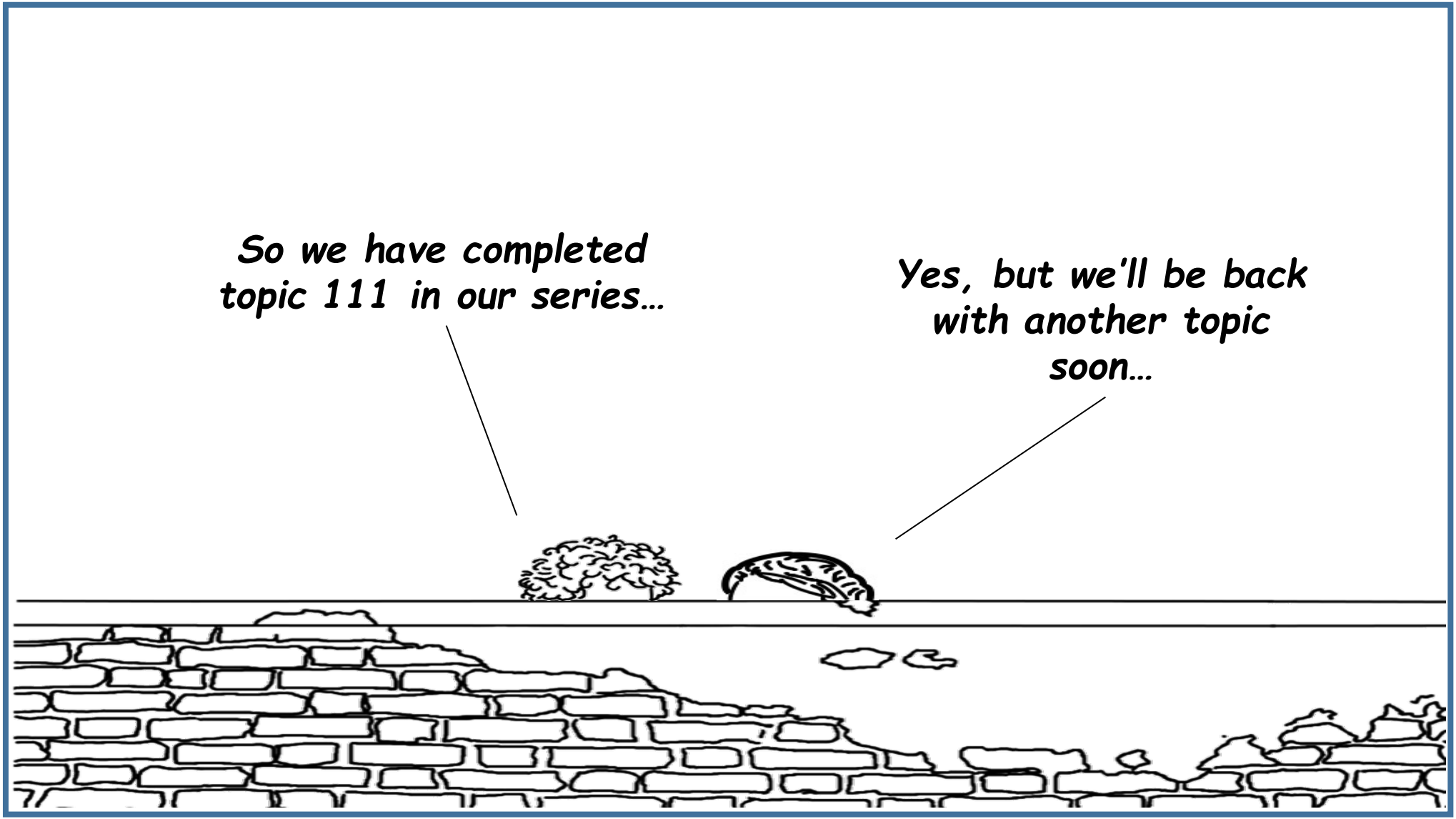
By the end of WWI, the number of banks will have been reduced even more to the "Big Five:" Barclays Bank, Lloyds Bank, Midland Bank, National Provincial Bank and Westminster Bank. Two of these will merge (National Provincial Bank and Westminster Bank) in 1968, creating the "Big Four."

The close relationship between banking, industry, and business is apparent in this brief historical review. Banks provided a depository for the funds needed to complete business transactions, and industrialists served as a major drive in creating them.

In addition to the support from businessmen, banks had to inspire trust. Clients had to be certain their funds were safe. As a result, bankers were to be above all scandal.



Even the clerks had to be of impeccable character. For this reason, Watson could assert his banker could vouch for his character — even though it was invented.


So we have completed topic 111 in our series…
Yes, but we'll be back with another topic soon…

Original Source Material for this topic:

1) https://www.banking-history.co.uk/history.html
2) https://research.britishmuseum.org/research/publications/online_resea...per_money/paper_money_of_england__wales/english_banking_history.aspx
3) https://www.banking-history.co.uk/history.html
4) https://research.britishmuseum.org/research/publications/online_researc...land__wales/english_banking_history/intro_english_bankng_history3
5) https://research.britishmuseum.org/research/publications/online_researc...land__wales/english_banking_history/intro_english_bankng_history4
6) https://www.banking-history.co.uk/history.html
7) G. R. Searle, Morality and The Market in Victorian Britain. (Oxford: Clarendon Press, 1998), page 260.
8) I. Jeacle, 2010, "The bank clerk in Victorian society: the case of Hoare and Company", Journal of Management History, vol. 16, page 312.

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LIESE SHERWOOD-FABRE
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WE ARE EXTREMELY THANKFUL TO LIESE AND GEORGE FOR THEIR SUPPORT OF THIS PROJECT...