The Western Bank failure and
the Scottish banking system

THE

WESTERN BANK FAILURE

AND THE

SCOTTISH BANKING SYSTEM:

BEING THE EVIDENCE THEREON GIVEN BEFORE THE

Select Committee on the Bank Acts,

BY

SHEFFIELD NEAVE, Esq.,
Governor of the Bank of England;

SIR GEORGE CLERK, Bart.,
Deputy-Governor of the Bank of Scotland;

LAURENCE ROBERTSON, Esq.
Cashier of the Royal Bank, Edinburgh;

JAMES ROBERTSON, Esq.,
Manager of the Union Bank, Glasgow;

JAMES SIMPSON FLEMING, Esq.,
One of the Liquidators of the Western Bank, Glasgow.

WITH THE

ANNUAL REPORTS ISSUED BY THE DIRECTORS OF THE WESTERN BANK FROM 1854 TO 1857, INCLUSIVE;

THE

CORRESPONDENCE BETWEEN THE WESTERN AND EDINBURGH BANKS DURING THE CRISIS OF NOVEMBER, 1857;

AND A

LIST OF THE DIRECTORS FROM THE COMMENCEMENT TO THE CLOSE OF THE BANK.

GLASGOW: JOHN BAIN, 70 ARGYLE STREET.
LONDON: HOULSTON & WRIGHT; AND E FINGHAM WILSON.
AND ALL BOOKSELLERS
1858.

SELECT COMMITTEE.

Mr BALL.	Mr HOPE JOHNSTONE.
Sir F. BARING.	Mr PULLER.
Mr BLACKBURN.	Mr JOHN LEWIS RICARDO.
Mr CARDWELL.	Mr MARTIN TUCKER SMITH.
Mr CAYLEY.	Mr SPOONER.
Mr ENNIS.	THE CHANCELLOR OF THE EXCHEQUER.
EARL OF GIFFORD.	Mr TITE.
Mr GLADSTONE.	Mr VANCE.
Mr G. A. HAMILTON.	Mr WEGUELIN.
Mr HANKEY.	Mr WILSON.

The Right Hon. EDWARD CARDWELL in the Chair.

NOTE.

The wide-reaching disasters occasioned by the failure and winding up of the Western Bank, have aroused amongst the mass of the community an inquiry and reflection on matters financial, and have thereby occasioned a desideratum, which these pages are intended to supply.

The Parliamentary Blue Books being only within the reach of the few, and the many being affected, has called forth this Edition for the Million.

EVIDENCE.

SHEFFIELD NEAVE, Esq., Governor of the Bank of England.

CHAIRMAN (to Mr Neave).—You were Deputy-Governor of the bank when this inquiry took place last year?—I was.

You are now Governor of the bank?—I am.

I think it was about the 12th of October that you were first apprehensive about the Western Bank of Scotland?—Yes; we had no direct application at that time, but there were rumours, and we had intimations which made us aware they were in difficulties.

Was there not a further change to 8 per cent. on the 19th of October?—There was; in the meantime the news from America continued still more unfavourable; there were additional failures; the Bank of France, in one week, had lost upwards of a million sterling; our bullion had gone down to £8,991,000, our reserve to £4,115,000, and we raised the rate to 8 per cent.

On the 20th October, had you an application with regard to the Borough Bank of Liverpool?—That was our first application from the Borough Bank.

What was the nature of that application?—That was an application generally for assistance, upon conditions which were not likely to be acceded to.

What was the state of things on the 23d of October?—The applications for discount in the meantime had been a little more moderate than they had been in the previous week; the Bank of France had raised the rate to 7½, and Hamburg to 9, and there were no great pressure from Ireland.

At that time, I think, about £300,000 in gold had left Liverpool for America?—It had.

That was the date, was it not, at which the difficulties of the Western Bank began to engage your attention?—Yes; we had a deputation from the Western Bank of Scotland on the 26th, applying for assistance, and their liabilities were of that magnitude, their deposits being £6,500,000, and their issue £480,000, that it created a great doubt in our minds whether we could engage in such assistance, for we did not know to what extent, with such an amount of liabilities, they would want support. The first question, also, which we asked was, whether or not they had applied to the banks in Scotland. They mentioned that the Scotch banks required that they should first come to the Bank of England before they would entertain the question, and that therefore they had applied to us; we naturally thought that they would have gone there first. This application we declined to comply with, partly on the ground of the magnitude of the advance, which it would necessarily require, and in part from the knowledge that whatever was advanced would go down to Scotland and be so much abstracted from our resources here. To the Liverpool Borough Bank we agreed to lend to the extent of £1,500,000, on condition of their liquidating; that was, on condition of receiving promissory notes of bankers in Liverpool, and others interested in the Borough Bank of Liverpool; and, upon that supposed guarantee, we agreed to make the advance. That fell through, in consequence of the Borough Bank being obliged in the interim to close their doors, though they affixed to them a notice that on the following Friday they would re-open. That influenced, doubtless, those who were supposed to be the parties offering to give their guarantee promissory notes, inasmuch as the purpose for which they would have supported the Borough Bank was, in a measure, frustrated by their actually closing their doors. It also appeared that those who had brought us the information that the guarantee would be given in the shape required, were mistaken, and had exceeded their powers, and the matter fell through.

The Western Bank you refused to assist?—Yes.

Will you be so good as to state generally to the Committee what was the position of the Western Bank, and what were the grounds on which you refused to give assistance to them?—The deposits being £6,500,000, and the issue £480,000; bills discounted, £3,600,000; of which it was estimated £970,000 would not be paid at maturity. Lent on open account, £2,560,000, and there also being a very large quantity of liabilities falling due in London, the bank did not like to undertake so vast a supply, knowing that a small supply would be thrown away, unless entirely successful.

You have spoken now of the amount of the obligations of the Western Bank; was there anything in the nature of them which had any influence upon your decision?—The obligations of course were very large, but one of the principal reasons which influenced us was the feeling that it was an abstraction altogether from London.

Will you be so good as to explain a little more fully the meaning of the last answer?—What I meant by that was, that as they were obliged to make all their payments in gold and in their own notes, their own notes being in excess of the authorised amount, the only mode by which they could make payments would be in gold imported from England. The amount of gold which the Scotch banks, by the law, were at that time compelled to hold against excess of issues, was, I think, about £1,250,000.

My question pointed to the nature of the transactions of the Western Bank, the number of their branches, the number of their small deposits, and the number of the cash accounts?—They had 100 branches, and the number of the depositors was supposed to be nearly 40,000.

Do I rightly understand you to convey to the Committee that, over and above the large amount of advance which would have been necessary to render any effectual assistance, and over and above the inadequacy of the security in your estimation, the nature of their business operated upon your minds in refusing to assist them?—They were supposed to have lost very largely from the American houses to which they had advanced. The nature of their business being loans to an immense extent, and those loans having the means found for them by depositors, in an immense number of small amounts, of course the depositors who in a moment of distress would take their little all out of the bank would retain it in Scotland, and it would not re-circulate and find its level in the general circulation of England.

And that circumstance operated upon the minds of the directors of the Bank of England?—That circumstance operated with us.

What was the next change which took place at the Bank of England?—The next change which took place was on the 5th of November. In the meantime, the run in Ireland had re-commenced. There was a good deal of uneasiness out of doors, and we had an application from the principal discount house in London for an assurance that, if it was necessary, we would give them any loans which they might require. It was on the 28th of October that we had that application.

Then on the 5th of November, on which day you raised the rate of interest to 9 per cent., you had a drain at home, a commercial drain abroad, and also a drain for silver in India?—Yes, the Continental drain excepted. We had further inquiries for assistance for other Scotch banks, and on the 30th of October there was an express sent for 50,000 sovereigns for a bank in Scotland, part of £170,000, and £80,000 to Ireland. The first shipment of silver by the East India Company then took place. On the 5th of November the rate was raised to 9 per cent.

And on the 9th it was raised to 10 per cent.? On the 9th it was raised to 10 per cent. In the meantime, between the 5th and the 9th, an English bank was assisted by us, and the purchases and sales of stock in the Funds at that time were very enormous. Our transfers were much beyond what they had ever been before. The failure of Dennistoun's house, under acceptances, supposed to be close upon the amount of £2,000,000, also took place in that interval. The Western Bank of Scotland failed on that day, viz., the 9th, and failures in London were on the increase. The bullion on the 9th was down to £7,719,000, and our reserve to £2,834,000.

By "bullion" you mean the bullion in the issue department, and by "reserve" you mean the combined amount of the notes and coin in the banking department?—Yes.

What occurred on the 11th?—On the 10th, the intermediate day, a leading discount house came to us for £400,000. The Bank of France raised its rate to 8, 9, and 10 per cent. for the three respective months. There was another English bank assisted. The City of Glasgow Bank suspended; there were disturbances there, and the military were required. The "Bankers' Magazine" mentions that even the notes of the chartered banks and of the Bank of England were refused; there was a run for gold as well as upon the Savings Banks. The discounts and advances for that day with us were £1,116,000. The run in Ireland was recommencing, and on the 10th and 11th alone the gold sent to Scotland was upwards of £1,000,000. On the 11th, Sanderson & Co., the large bill brokers, stopped payment, their deposits were supposed to be £4,000,000, and their liabilities on bills £5,000,000.

Will you be so good as to inform the Committee what was the state of your bullion and of your reserve at the close on the 10th and on the 11th?—The bullion in issue department on the 10th was £7,411,000; the reserve was £2,420,000. On the 11th the bullion in the issue department was £6,666,000; the reserve was £1,462,000.

On the 12th, the day on which the government letter was issued, what was the state of the bullion and of the reserve?—On the 12th the bullion was £6,524,000, and the reserve was £581,000.

Mr Cayley—At the close of the day?—At the close of the day.

For the London establishment and all your branches?—Yes.

What proportion of that £381,000 was coin in your establishment in London?—There was £131,000 in notes, £358,000 in gold coin, and £92,000 in silver.

Sir Francis Baring.—What would have been the effect upon the bank, if the Act of 1844 had not been suspended by the treasury letter?—The bank had evidently gone beyond what a mere ordinary joint-stock banker would have done. The bank would not have risked what she did, if she had been certain that by no possibility would govern-

ment give any relief; but feeling that she was bound, as a public institution, to make common cause with commerce, she certainly gave greater assistance. If she had only had to think of herself, and selfishly to protect herself, she would have refused discounts at an earlier period altogether, and she, of course, could at any moment have defended herself by refusing to pay out again the notes on discount as they came in. She had always a very large return to her from discounts going off, and if she had declined to issue them again, she could have defended herself against the demands of the public.

Then, as I understand you, the bank acted upon the conviction that the treasury would suspend the act in case of difficulty?—I think it must have weighed with them within the last few days, that the government would probably interfere, if the action of the bank was unsuccessful.

Do you suppose the public acted upon the same conviction?—I have no doubt about it, and that makes me rather contrast the pressure of 1857 with that of 1847. I think there was a great deal more panic, in the strict sense of panic, in 1847 than there was in 1857. In 1857 there was a greater commercial distress, but less of panic.

In the issue of the letter in 1847, the dose was much more effective in producing a cure than it was in these last difficulties. Do you attribute the comparative inefficiency of the issue of the letter in these last difficulties to the different impression on the bank and on the public mind?—No; I do not think that its inefficiency was greater, but I think that the commercial pressure had not reached its intensity so early.

In 1847 the issue of the letter was so effective that the limit was never exceeded?—The issue of the letter in 1847, I think, came just at the right moment, when the fever had reached its height, and it removed panic. I think that the commercial pressure had reached its climax.

Do you mean that the issue of the letter in 1857 was not at the proper moment?—It was at the proper moment, but there was more pressure yet behind it; the commercial pressure had not reached its height.

There was not the same panic, was there?—There was not the same panic in 1857 as there was in 1847; that is my impression.

And that I understand you to attribute to the conviction on the part of the public, and of the bank, that the government would interfere, if necessary?—I think so; I think that it had its effect.

You stated that the bank had that conviction. Did that arise from communications with the government?—In such a state of things we communicated daily to the government the condition of our affairs, and we could not but know that the government felt the gravity of them; but we had no promise or undertaking, or intimation from the government that they intended to do what they did, nor do I know that they did intend it until close upon the moment when they issued the letter.

But were the government aware that you were proceeding in a course which you would not have proceeded in, unless you had been convinced that the government would interfere?—That I am unable to answer.

You were in frank communication with the government the whole of the time, I conclude?—Quite so.

Supposing the government had not issued that letter suspending the act, what would have been the effect?—I think that if the government had not given that letter when they did, the circumstances would have been much more grave than they were.

To condescend upon particulars, what would have happened to the bank?—I can hardly say what would have happened to the bank.

How many days could you have gone on?—There is one thing which I may say, that we should not have been in that position without the impression to which you have alluded, namely, the probability of a letter within a day or two of the time of its being issued. Our reserve, you will observe, on the two days before, though low, was higher than it was in 1847; it was £2,480,000. Instead of giving out those discounts which we did on the 12th, to the amount of £2,000,000 and odd, we should have refused to do that; we should have protected ourselves by the go off of what was coming in upon discounts. The reduction of our reserve took place just the day before the letter was issued, which on our part, as regards discounts, was not necessary.

Mr Ball—You have stated that the pressure in 1857 was not equal to the pressure in 1847; what would the public have done in 1857 if this letter of relief had not been issued; if it had not been issued, would not the demand for gold on the bank have continued?—I do not see that there would have been any demand for gold by exchange for notes (except for Scotland); the note was not discredited; the demand for gold would only arise supposing the convertibility of the note was in danger.

If the pressure for money had not been relieved, would the note have been convertible any longer?—Just the same, I think. I think the convertibility of the note is placed upon a basis by itself, without regard to commercial pressure.

Was not the balance of bullion in the bank about £6,000,000 when the letter was issued?—Yes; between £6,000,000 and £7,000,000.

If that letter of relief had not been issued, would not there have been a continued reduction of bullion in the bank?—I know not why there should have been.

What then occasioned it to be reduced from £10,000,000 to £6,500,000?—That was

caused by foreign exports, with the exception of that portion of it which went to Scotland and Ireland; and that went in the shape of gold, because gold only could be used there.

Then what was the advantage of that letter of relief from the government?—Assistance to the commercial world.

How?—By the opportunity of giving for internal demand £2,000,000 more notes.

Then you acted upon the full conviction that that letter would come out?—We certainly should not have taken the risk to the extent which we did, but for that feeling; it was a risk. We considered that it might succeed, and it would probably have succeeded, if we had not been suddenly called upon to supply a greater drain to Scotland; as to that I cannot say. At any rate we took the risk of making common cause with commerce, under the knowledge of the possibility that what had taken place in 1847 might again take place.

If I understood you rightly in a former part of your examination, you stated that you refused relief to the Western Bank of Scotland, not from fear of ultimate loss by them, but from fear of parting with so many of your notes, which would not come in again quickly, as they would have done if they had been issued to the English banks?—I did so.

Assuming the Western Bank of Scotland to have been solvent, and that the fear of abstraction was the only thing which prevented you relieving it, should you, if the Act of 1844 had not been in existence, have been operated upon by that fear, and would you have refused assisting it?—I think we should, because we should not have meddled with the proportion of notes issued upon gold; we should have been unwilling to issue more notes, which might then have affected the exchanges.

Do I understand you rightly that you would still have refused upon that ground?—Yes, I think so.

Then why did not that circumstance operate to make you refuse assistance to the Borough Bank of Liverpool?—Because a great many of the engagements of the Borough Bank of Liverpool were for bills coming due in London, and therefore, whatever we advanced to them would come back again to us, and was not leaving the kingdom, as in the other case it would.

Mr Cayley—Can you tell us at what time of the day on Thursday the 12th of November the government letter was known in the City of London?—Late in the day.

At what time was it issued?—At three o'clock.

Were applications made to the bank on the morning of that day, and was the answer returned to the applicants that no reply could be given them until after two o'clock?—No; there was no such time fixed. I think I know to what you are alluding. An application was made for £500,000, which was granted, and subsequently £200,000 more to the same party, but the only appearance of delay in the answer was, that the communication could not be made to me, who happened to be sitting in Court, and therefore till I could be reached an answer could not be given.

Was there or was there not a very general impression throughout the city that there was something to transpire in the middle of the day which would enable further discounts to be made or refused?—Not to my knowledge; there was a general feeling, no doubt, that the time was approaching when some relief would be given, but I do not know that it existed as to any particular period.

You have never heard of any application being made which created an expectation on the part of the public that there would be some communication from the government in the course of the day?—The public were aware, I think, that a memorial had gone up to the Chancellor of the Exchequer from the Scotch banks.

Supposing that the letter had not been issued at three o'clock in answer to a general expectation of the public, and that the bankers of London, in consequence of a pressure upon them by their depositors, had been obliged to come upon their deposits at the bank, what were your funds at the end of the day on the 12th of November to meet such a demand?—I have stated to the Committee the reserve as having been reduced to £500,000, we having acted upon the faith of the letter.

You had, in fact, in bank notes £131,000 to answer the demands of the bankers and other depositors with you?—That was all. There was also coin.

Including all the branches?—Yes.

Supposing that there had been a demand upon you in the course of the afternoon for £500,000 of deposits, what would have been the answer which the Bank of England would have made?—They would have acted just as they did, in letting out £2,000,000 that morning; they would have given the £500,000 in addition, which would probably have been returned through the deposits.

But if they had only a reserve of £131,000 in notes for the whole of their branches, and only £358,000 in gold, and £92,000 in silver, where would have been their means of meeting that demand of their depositors?—The receipts, for the most part, balance the payments during the day; but of course they could have gone no further than the amount which they had; they would not have infringed the law without permission.

Then, if, upon the establishment in Threadneedle Street, there had been a demand for £1,000,000 out of the £5,200,000, of the bankers' deposits, omitting other depositors, under these circumstances the Bank of England would have been obliged to suspend payment?—Certainly; that is, if we suppose it to be taken in cash, and also to be all locked up afterwards; otherwise the reserve would not have been absorbed.

Mr Blackburn—I think you stated that you assisted several English banks with advances?—Yes.

Can you mention how many, and to what amount, and in the same way the discount houses?—I will furnish that information. I might add, that as regards what we view as special assistance, that is to say, not in the ordinary way of discount, the banks received nearly three-fifths of that portion of our so called special advances.

Did you make any advance to Scotch banks?—Yes.

To more than one?—Yes, several.

Will you also state the amount of those advances?—Yes.*

You gave us the reason for not advancing to the Western Bank of Scotland; I think it was that you considered that the great number of depositors made it more dangerous than if the deposits had been in large sums?—It was more dangerous, inasmuch as they were likely to retain the smaller amounts, and hoard them.

Do you think that it has been the habit of Scotch depositors to hoard their money?—I think that, under a state of alarm, the small depositors would do so.

Do you find it practically so with the gold which has been sent to Scotland; has it been returned, or is it kept there?—It is returning now; it kept going out largely through November. After November there seems to have been only £40,000 sent to Scotland, which was during December.

Do you think that that was from any discredit of the notes of the Scotch banks, or from a discredit of special banks, and a withdrawal of deposits?—I think it was from both; I think that the fact of their refusing the notes of the chartered banks in Glasgow, during that run, shows that the note itself was discredited. They would take nothing but gold.

Are you aware that it is a fact that notes of the chartered banks were refused?—I merely take it as an extract from the Bankers' Magazine.

Are you aware whether the Western Bank's notes were current in Glasgow even during the panic?—I do not know whether they were at a discount or not. There was another point which makes me think that the notes were themselves discredited, namely, that I believe some resolutions were passed amongst the large landholders to take the notes, and that gave them credit.

If the parties stated that they would take them, and if shopkeepers took them, it shows that they were not discredited?—It was the larger landholders who agreed to take the notes in order to counteract the impression which was upon the minds of the lower orders who were running for gold.

Chairman—At the time when this alarm of which you are now speaking took place, do you know what was the total liability of the Scotch banks, and what was the total amount of bullion held by them?—Yes; the last return, at the end of October, showed that the Scotch banks were in excess £1,257,000, and that their total gold was £2,057,000; therefore, that left a surplus of £800,000. In November the circulation went down £96,000, and the gold increased £382,000; the transmission from London was as previously stated; therefore it left the difference as having been paid away in deposits; the liabilities in deposits were supposed to reach £50,000,000.

Mr Blackburn—But I presume you have no knowledge of that, it is only conjecture?—I draw that inference.

Did the gold which was sent down consist of loans from the Bank of England, or was it from the Scotch banks selling their property here, and themselves exporting the gold which they obtained for it?—It was not in the shape of loans, further than discounts.

Discounting bills drawn by the banks?—No; they were various bills which were brought to us, which we discounted on behalf of these Scotch banks, through some London houses.

I think that in the Paper No. 1 of this year, laid before Parliament, which contains the

* The following is the paper afterwards handed in by the Governer:—

Analysis of Discounts and Advances (London and Country,) October, November, and December, 1857.

Banks and Bankers and Brokers.			
Scotch Banks:	London	£1,297	
	Country	—	
			1,297
English Banks and Bankers:	London	1,076	
	Country	5,998	
			7,074
Bill Brokers and Discount Companies:	London	9,456	
	Country	—	
			9,456
			17,827
Total Merchants and Traders:	London	14,440	
	Country	3,535	
			17,975
Total Amount Discounted in the Three Months			£35,802

Discount Office, 12th March, 1858. J. G. Elsey.

correspondence between the Government and the Bank of England, you state that the extra pressure upon the Bank of England supervened upon the failure of the Western Bank of Scotland and the City of Glasgow Bank?—Yes.

The Western Bank of Scotland failed on the 9th of November, did it not?—Yes.

And the City of Glasgow Bank upon the 12th or the 11th. The raising of the rate of discount to nine per cent. previously to that did not show any pressure upon the bank at that time?—It was raised to nine per cent. on the 5th and to ten per cent. on the 9th.

In the Parliamentary paper it is stated to be the 10th of November. I think you mentioned that there were riots in Glasgow, and that the military were called upon?—Yes.

Were the military called out?—I really do not know. The military were sent from Edinburgh to Glasgow; I might have added, that we were told that they were asked for from government.

I think you stated in your evidence respecting the early part of November, that your views and calculations as to the banking department at the Bank of England were quite set aside by the extraordinary events which took place in the course of a very few days?—Quite so.

I suppose those events to which you allude were the special applications from Scotland more particularly, and also those from Ireland?—They were.

Supposing that the notes of the issue department had been a legal tender in Scotland and Ireland, would not the effect produced by the double action of that demand upon your reserves, and upon the bullion department at the same time, have been in a great degree obviated?—Certainly; the necessity for finding gold for any portion of the Scotch circulation which was discredited, and which itself aggravated the run for deposits, would have been materially diminished. Indeed, as regards the notes, the undoubted issue of legal tender notes of England would have prevented any such effect.

And would not that result have been still further promoted provided there had been in the hands of any department the power, under certain circumstances, of issuing also notes under £5 in particular cases?—No; I do not see any advantage in issuing notes under £5. I think that if the Scotch circulation had been gold, instead of notes, there would have been no such necessity.

I have no doubt you are aware that the greater portion of the circulation in Scotland consists of £1 notes?—Yes.

For the purpose of meeting a run upon the Scotch banks, as regards £1 notes, sovereigns only could be used. Would not the substitution from the issue department of £1 notes have been a further economy in the use of bullion?—I think there would have been no necessity for it if you had not allowed £1 notes in Scotland. I think gold would have supplied their place, as it did in England when £1 notes were removed from the circulation.

Chairman—Under the law, as it now stands, the making a Bank of England note a legal tender in Scotland would not have relieved you, for it was all the same to you whether you sent your own notes from your reserve, or whether you sent bullion, was it not?—Yes.

With regard to notes under £5, is it your opinion that the difference in this part of the kingdom of the system which prevails in Scotland of £1 notes would tend to relieve the pressure upon the Bank of England in times of difficulty?—No, not the least.

Do you think that it would materially increase it?—I think it would operate in that way.

Are you aware of any reason, either in justice or policy, why the expense of maintaining the bullion reserves of the whole United Kingdom should be thrown upon this part of the United Kingdom exclusively?—Certainly not.

Mr G. C. Glyn—With regard to the question put by the Chairman, the issue of notes by the issue department, had they been a legal tender in Scotland, although it would not have relieved your reserve, would effectually have relieved the demand upon the bullion department, would it not?—One-third of the circulation is £5 notes and upwards in Scotland.

Mr Blackburn—I think you stated, in answer to Mr Glyn, that the Scotch circulation was discredited in November?—Yes.

Do you think that that is a matter of fact?—I mentioned originally that it was stated that the circulation of the chartered banks of Glasgow was refused, and that gold only was accepted over the counter.

If the circulation was discredited, that would diminish the amount out?—It would diminish the uses of what was out.

If we find that the quantity of notes in circulation increased, it will be a proof that the circulation was not discredited?—No, I think it would only prove that there was something added to supply the place of what was discredited.

How could issuing one note in the place of another show that?—It would not be issued by the same parties.

But if it was issued by the Scotch banks, surely it would show that the Scotch note circulation generally was not discredited?—No doubt those who had the best currency in circulation would have the power of increasing their notes.

Then it was not the circulation generally which was discredited, but only the circu-

lation of individual banks?—It was that of individual banks which necessarily raised a discredit among the holders, and increased the fears of the depositors, as far as I can understand.

If the public accepted the notes of the other banks in lieu of the notes of the discredited banks, it showed that the credit of the banks generally, and the circulation generally was good, although individual banks were discredited?—I think that the pressure was great, from the wants of the public, and a certain quantity of notes may have been issued by well-esteemed banks; but the actual £400,000 of the Western Bank of Scotland and the City of Glasgow Bank were decidedly discredited.

Does the fact, that one bank fails and that the notes of another bank are accepted as freely as ever, prove that the circulation generally is discredited?—Of course, I know very little about Scotland; I can only give what I have heard; but there is no doubt, in my mind, that the note itself being discredited had a prejudicial effect generally through Scotland.

If you look at Paper 16, of the papers laid before us, you will find stated on page 4 the average amount of notes in circulation in Scotland on the 24th of October, the 21st of November, and the 19th of December, 1857; I think that November was the period of greatest pressure?—The circulation on the 21st of November was £4,344,000.

And upon the 24th of October previous, what was it?—£4,248,000; about £100,000 less.

Then there was an increase of £100,000 in the circulation, notwithstanding the fact that the month of November was the greatest period of pressure?—Yes.

That did not show a discredit of notes, and a substitution of sovereigns for notes?—The £100,000, in ordinary times, we should have attributed to the increased periodical payments.

But that surely proves that there was no substitution of sovereigns for notes; there was no discredit of notes generally, though there might be discredit upon the particular notes of our special banks?—Yes.

I think you will find that the coin held by the Scotch banks was increased also from £1,900,000 on the 24th of October, to £2,000,000 upon the 21st of November, and to £2,200,000 on the 19th December?—Yes; there is only an increase of £400,000 between October and November; whereas, before the 21st of November, they took from London nearer £2,000,000 I think.

It might have been returned?—No; it was not returned.

I think you stated that the expense of maintaining the circulation of £4,000,000 of notes in Scotland, falls upon the Bank of England; will you explain how that happens?—No; I think the question put to me by the Chairman was, whether England should be called upon to send gold at these periods to support that circulation.

I think you answered that the expense of maintaining the Scotch circulation did fall upon the Bank of England?—It is tantamount to it, if we have to provide for it.

In what way is England called upon to send gold to Scotland, at any time?—Merely by the usual powers which those who hold securities have, to take it in any shape they like.

That is to say, that a Scotch bank having property in England may carry it to Scotland when it chooses?—Yes.

Is that to be prohibited?—It is at least inconvenient to England if it has any regard to the especial wants of the circulation.

But it is merely inconvenient in the view that the circumstance of any creditor asking for his money is very inconvenient to the debtor?—Not so, if it arises out of a system which gives a creditor the power at particular moments to take from the English circulation a certain portion.

How does the system enable the Scotch creditor to take money from England at any particular moment?—The system to which I allude would be, that the Scotch circulation having no basis upon gold, in moments of discredit they necessarily seek gold, and they can only seek it from England.

If the discredit had been upon the circulation, the circulation would have been diminished, and gold would have been substituted?—It may not be so in the aggregate.

Supposing that there had been discredit upon the banks, and that, for the sake of argument, there had been no notes issued at all, would not the banks in Scotland have required to send for sovereigns exactly in the same way?—No, I think that their position was aggravated by the discredit of the notes. They may have held too small a reserve, and have strengthened their reserves in ordinary cases of difficulty, but I think that their position was aggravated by the discredit of the notes.

How could their position be aggravated if they actually issued more notes than they had previously?—Because, as I said before, a certain portion of the banks might issue more whilst other banks were discredited, which would occasion a run for deposits, causing them to increase the amount required for their deposits, arising in part from the aggravation of alarm connected with the notes.

I think that the pressure upon the Bank of England was from the large advances which it made to various bodies?—Yes.

In the Paper No. 13 there is a statement of the advances made, distinguishing the Scotch banks, the English banks, and the bill brokers and discount companies. These

are special advances, I presume; assistance given to the various banks and discount houses?—Yes.

The total assistance in the three months, of October, November, and December, 1857, was £35,800,000?—That includes the whole.

Of which £1,297,000 was advanced to the Scotch banks?—Yes.

Then, the proportion of the pressure brought on the Bank of England by the Scotch banks is merely as one to thirty-five of the whole pressure?—Yes, they took that share.

Then it cannot be said that the Scotch banks caused any large proportion of the pressure upon the bank of England?—No, but they were new customers altogether in addition to those we had already pressed upon us.

Mr G. C. Glyn—You do not distinguish the amount which they may have taken through the bill brokers?—No, I only deal with what went through our own hands.

Mr Blackburn—That is all that you are aware of which the Bank of England advanced to the Scotch Banks?—Yes.

Mr G. C. Glyn—Is it not probable that a considerable sum would be derived from the bill brokers?—Yes; a very large amount indeed, I should think.

Mr Blackburn—This advance to the Scotch banks was through London banks, I believe?—Yes; I should think so.

It was not direct to the Scotch banks?—No; I should think not.

Mr Pullen—I think you told the Chairman just now, that supposing the Bank of England notes had been a legal tender in Scotland, there would have been as great a drain on your reserve as there was by sending gold?—I said that as regards the drain upon us, it was immaterial whether it was notes or gold; but if there had been a currency which was totally incapable of discredit in Scotland, we should not have had such a pressure.

Under the existing system, it made no difference to you whether you sent Bank of England notes or gold: it was the same thing?—Quite so.

Under the existing system of currency in Scotland, would it be any advantage, do you think, to our currency here, or to the Bank of England in particular, that the Bank of England notes should be a legal tender in Scotland?—It would act as giving an undoubted currency down to the £5 note; but it would not nearly meet the evil of the £1 note, the great desideratum would be instead of having £1 notes to use gold.

It would make the Scotch currency more secure?—Yes.

The Scotch Banks have a power to issue beyond the limited amount upon the deposit of gold?—Yes.

That deposit must all be in gold coin, I think?—Yes.

On the 9th of November, you sent down to Scotland as much as £1,000,000 of gold coin, did you not?—I think the days were the 10th and 11th.

On the 10th of November you sent down £1,000,000 of gold coin, I believe, and on the 11th you sent some more?—The amount sent on the two days made £1,000,000 as nearly as possible.

Altogether it was, I think you said just now, £1,297,000?—The total to Scotland was more than that; it was nearer £2,000,000. I see by these figures that it was about £1,700,000.

Was that all previous to the 12th of November?—Yes.

Was that all in coin?—All in coin.

And the result of that was that the amount of gold coin in the issue department was on the 12th of November reduced to little more than £2,000,000?—The gold coin in the issue department on the 9th was £3,258,000.

What was it on the 12th?—£2,316,000.

Therefore, in those two days, it had been reduced by nearly one-third?—Yes.

When you speak of the convertibility of the note, in case of any sudden alarm arising respecting the convertibility of the note, would the bullion in the issue department, as distinguished from the coin, be of much use to you?—The notes would be paid in to the issue department and gold taken out.

And gold coin taken out?—Yes.

In case of an internal alarm?—Yes.

At what rate could you get that bullion made into coin at the Mint?—I suppose in case of urgency we could press the Mint for nearly £1,000,000 a week. Latterly the Mint has coined £701,000 per week.

It would take you a week to get £1,000,000 of bullion coined?—Yes.

Looking at the rapid diminution of the coin, and the time that it would take to coin bullion so as to meet any sudden demand for coin in case of panic, do you think that the present arrangement, which requires the Scotch banks to deposit coin for every increase of their issues, is a convenient and safe arrangement?—I think that it would not be necessary if there were no £1 notes.

In case of any alarm or panic in Scotland, is it not almost certain that the Scotch banks will come to the Bank of England for help?—Yes.

And that help must be furnished to them in the shape of coin?—Yes.

So that the whole amount of assistance given by England to Scotland in case of panic is a drain upon the coin in the issue department of the Bank of England, and of course

that would be the precise period at which, if at any time, alarm would arise respecting the convertibility of the note?—Quite so.

That gold coin which is so deposited is no security to the note-holders in Scotland; they have no lien upon it?—I do not know what the law is in Scotland.

CHAIRMAN—The ultimate security of any note circulation of course must be bullion?—Yes.

The whole authorized circulation of Scotland is without any bullion basis, except that which it finds by the sale of securities in London, or other mode of obtaining bullion from the Bank of England?—That is all the authorized circulation.

So that there is a saving to Scotland of the interest upon that authorized circulation?—Yes.

If the whole circulation of England were carried on in the same way, do you think that the Bank of England would be in a position of safety with anything like the same reserve of bullion as she now keeps?—I think not, certainly.

The consequence of this is, that in times of pressure there is a very large demand for bullion for Scotland?—Yes.

In short, Scotland operates upon England with all the circumstances of a foreign drain in times of severest pressure?—Yes; and if England and Wales were on the same footing, it would prevent the bank from doing much more than taking strict care of herself.

It would be quite as much as the bank could do to protect herself by measures of extreme prudence if that were the case?—Yes.

As has just been suggested to you, the demand for Scotland must necessarily be in the coin of the realm; bullion would be of no use?—That is so.

In that respect it is a drain still more inconvenient than a foreign drain?—Yes.

In point of fact, it was the demand of bullion for Scotland which, in the opinion of the Bank Court, rendered necessary the issue of the letter in November last?—That was one of the main causes of the reduction of the reserve which was the occasion of the necessity of the letter.

You have stated that such was the case?—Yes.

And you adhere to that opinion?—Yes.

Mr G. C. GLYN—With reference to the circulation of Scotland on the 12th of November, which was £4,305,000, did not the Scotch bankers at that time hold a greater proportion in bullion, compared with that circulation, than was held by the issue department of the Bank of England compared with the English circulation?—I never made the comparison. The law is, of course, that all above £3,000,000 should be held in gold.

Mr BLACKBURN—But the actual amount held was above £2,000,000, and the circulation above £4,000,000, so that, in fact, Scotland held one-half of the whole circulation in bullion?—That, it must be remembered, is always to supply their reserve. If you take £1,500,000 away as the excess of issue, you will leave, therefore, £500,000 as the total means to supply the reserve of all the Scotch banks to meet £50,000,000 of deposits.

If the Bank of England calculate in the same way, if you add the deposits and other liabilities, you in the same way reduce the amount of gold to answer the notes?—The difference consists in our circulation being a very large portion of it gold, and having no £1 notes.

But that does not apply to the bank. The circulation of the country is gold. but that is not the bank's gold; the bank's circulation is only notes, and they have only one-third, or less than one-third, of gold to meet the notes?—They have the whole amount in the issue department to meet the convertibility of the note, which is amply sufficient.

But that is not the proportion of the half, as it is in Scotland?—No, but then that proportion has not to furnish a reserve also.

CHAIRMAN—That proportion of one-half, to which your attention has been called, was the result of the sudden demand of gold for Scotland, to which you have previously adverted?—That furnished it.

Therefore it was at the time of severest pressure that that demand arose; and it was in consequence of the drain upon you, to which you have just referred, that that state of figures existed?—Yes.

Mr BLACKBURN—Will you look at the amount upon the 24th of October, before the drain began; there was £1,600,000 in bullion before the drain began, I think?—That is made up to the 24th of October; they had at that time taken between £200,000 and £300,000.

I refer to the coin held by the Scotch banks upon the 24th of October, which was £1,675,000 as against £4,248,000 of circulation?—The authorized circulation being about £3,000,000.

It is not with reference to the authorized circulation: that is the total amount in circulation?—Yes; but they are not obliged to keep any for the authorized circulation.

But they do keep one-third of the whole circulation in gold, as proved by this paper?—They did at that time; but then you must deduct the excess of circulation from it.

Why?—Because the excess of circulation is provided for by the coin by law; the £3,000,000 remains unprotected by coin.

In exactly the same position as the £14,475,000 issued by the Bank of England?—Yes; the difference being, that the one is incapable of discredit, and the other is at these moments discredited.

Has the amount of £3,000,000 ever been discredited; has it ever been reduced to that amount of circulation in Scotland?—No; I do not say to the full extent at all, but it is capable of discredit.

So is the £14,000,000 of the Bank of England capable of discredit physically, but it never has been discredited?—It never has been discredited.

And the other never has been discredited either?—It is a question whether it has not been partially so now.

As a matter of fact has it been discredited?—I think it was discredited in this last panic, as far as I see.

The Right Hon. SIR GEORGE CLERK, BART., examined.

CHAIRMAN—You are deputy-governor of the Bank of Scotland?—Yes.

Of which Lord Dalhousie is the governor?—He is.

Mr Blair is your manager?—Mr Blair is the manager, who takes an active part in superintending all the affairs of the bank.

Mr Blair is not in such a state of health that it could be expected of him to attend this Committee?—No; I regret to say that I have had a medical certificate stating that it would be inconvenient, if not dangerous, for him to attend the Committee in addition to his other duties.

I believe that the Bank of Scotland is not only the oldest of the Scotch banks, but, by arrangement among yourselves, it is a sort of president of the other banks, on occasions, for instance, like that on which the Western Bank sought for assistance from the other banks?—Yes; the general course in such a case as that to which you allude is, that a communication would be made to the Bank of Scotland, who would communicate it to the managers of the other banks, and then their joint resolution would be communicated through the Bank of Scotland to the parties who made the application.

I need not ask you whether you were Secretary of the Treasury in 1844, and Vice-President of the Board of Trade, when the Scotch Bank Act passed in 1845?—Yes; I held those offices in those two years.

The office which you hold is, to a certain extent, an honorary office, is it not?—The situations of governor and deputy-governor of the chartered banks in Scotland may be said to be purely honorary, although the persons who hold those situations have an opportunity, if they think fit, to make themselves acquainted with the management of the bank, and to attend all meetings of the directors.

During the last autumn, when the commercial crisis took place in Scotland, it was, I believe, your habit to be in constant attendance at the Bank of Scotland?—I was generally there every week at that time, and in constant communication with Mr Blair, the manager.

You attended the Chancellor of the Exchequer on the 12th of November last?—Yes. A memorial had been addressed to the Chancellor of the Exchequer from several of the banks in Edinburgh, calling his attention to the peculiar position in which the banking interest in Scotland was at that moment placed from the stoppage of two large banks in Glasgow. They made certain propositions to the Chancellor of the Exchequer, and I was requested by the Bank of Scotland to come to London at that time to give any further explanations which might be required with regard to that memorial.

Will you tell us what, according to your experience, was the cause of the commercial crisis which took place in Scotland?—I think the causes were those general causes which affected the monetary world in England also, arising in a great measure from the state of confusion in which the monetary affairs of the United States were at that time, and from overtrading on the part of some particular houses; but I believe that there was no evidence of any very general overtrading in Scotland at that time.

Will you state what were the first circumstances which you observed, and which caused alarm in Scotland?—I think the first circumstance which caused any general alarm was the announcement of the failure of two very large manufacturing establishments in Glasgow, which failed in the course of the same week—sometime, I think, about the middle of October.

You mean the firms of Macdonald and Monteith?—The large firm of Macdonald & Co., who were Scotch muslin manufacturers; and the firm of Monteith, who were calico printers, I think.

Immediately after that a circumstance which, I believe, had been unprecedented in Scotland occurred, namely, the sudden failure of two banks of issue?—Yes; within about three weeks of the failure of those two great commercial houses, the Western Bank stopped payment upon the 9th of November, and the City of Glasgow Bank, I think, on the 10th or 11th.

The City of Glasgow Bank soon afterwards resumed payment?—They reopened their bank and resumed business some time in the month of December.

The Western Bank never resumed payment?—No.

The Western Bank made to the other banks an application for assistance through the Bank of Scotland?—Yes; they made an application for assistance, I think, immediately upon the announcement of the failure of those houses. I rather think, in the first instance, they were referred to the Bank of England, but a few days afterwards they renewed their application to the Banks in Edinburgh through the Bank of Scotland.

Can you inform the Committee what was the state of the Western Bank at the time of its failure?—The only knowledge which I have of that is derived from the statement of their affairs which was made by a committee of the shareholders appointed to investigate the position of the bank, and to report to a general meeting of the shareholders, which was held in Glasgow in the month of December.

Will you state to us generally the particulars of that document to which you have referred?—The result was that, after giving the bank credit for all their assets which they considered to be of value, and making all deductions on account of bad debts, it appeared that there was a loss on the part of the bank of upwards of £2,000,000, involving the total loss of the whole of the capital of the bank, which was £1,500,000, and nearly £500,000 more.

That is the official statement?—It was a statement which was laid before the shareholders at a meeting which was called for the purpose of explaining to them the situation of the bank preparatory to making arrangements for winding up, which they have since done by appointing liquidators. It appeared from the statement that the liabilities of the bank at that time were very nearly £9,000,000; they exceeded £8,900,000; that was exclusive of the whole of the capital of the shareholders of the bank, which added to it would make a total sum of about £10,600,000; It appears from the other side of the account that their assets consisted of bills which they had discounted, for about £4,300,000, of which the accountant who prepared under that committee the statement of their affairs struck of nearly ten per cent., about £400,000, as bad.

Have you any objection to put in the statement?—No; it is printed, and will be much more distinct than any verbal statement.

[The witness delivered in the same.]

Is it usual for Scotch banks to keep a considerable reserve in London?—I should say that was the cardinal principle upon which the system of Scotch banking has ever been considered to be founded; namely, to keep very considerable reserves in London, invested in such a manner as to be able at a moment's notice to meet any demands which might be made upon them.

What was the reserve of the Western Bank of Scotland at that time?—The reserve of the Western Bank, as far as regards government securities, appears from that statement to have been only about £60,000; they had besides that a cash balance of about £204,000.

What was the course which the banks took with regard to the application made to them?—After considering the proposals which were made by the Western Bank, they resolved to give them assistance to the amount of L.500,000, to which they at first annexed a condition that the Western Bank should take immediate steps for winding up the concern, and retiring from the business. The directors, through whom the proposal was made, stated the impossibility, as far as they were concerned, of complying with such a stipulation; that it could only be done upon a resolution of the general body of the shareholders, and that a meeting to ascertain their views could not be called for a considerable time; and there were objections at that time to make any public announcement. After some little delay, the banks agreed to advance them £500,000 without that condition, upon their depositing with them as security, good local commercial bills to a considerably larger amount.

To have called the shareholders of the Western Bank together at that time would have had the effect of increasing the panic, which it was your desire to allay?—It most probably would have had that effect.

When the Western Bank stopped, what course did the other banks take with regard to the notes issued by the Western Bank?—I think that within two days of the stoppage of the Western Bank, which, I think, took place upon Monday the 9th of November, I am quite certain that, on the 11th of November, it was determined by the other banks, and announced by them, that they were ready to receive the notes of the Western Bank, and of the City of Glasgow Bank.

Relying upon the circumstance that by calls upon the shareholders the means would ultimately be forthcoming of liquidating those notes?—Yes; it being known that a great number of the shareholders of the Western Bank were men of undoubted wealth and very large capital, and there never was, at any time, any doubt entertained as to the ultimate payment of the notes, and of the other claims upon that bank.

Are you acquainted with the previous history of the Western Bank?—I cannot say that I am acquainted with any details of its previous history.

It was founded in 1832?—It was founded in 1832. Their London accounts appear to have got into great disorder, and not to have been in a proper state very shortly after their formation, within two years, when it was necessary for them to apply to the other banks in Scotland for assistance.

I think their correspondents in London, Messrs Jones, Loyd & Company, dishonoured their bills?—At that time they dishonoured the drafts which had been sent up; the chartered banks of Scotland at that time agreed to give the directors of the Western Bank the assistance which was required upon the condition that they would follow the example of the other old established banks, and keep in future sufficient reserves in London, so that such an occurrence might not again happen, and which it was understood they undertook to do; but I believe that, in a very short period afterwards, they did not adhere to that arrangement.

The old established banks of Scotland advanced money to them, on condition that that money should be invested in securities in London, for the purpose of constituting a reserve?—The Western Bank at that time, I believe, being unable to purchase securities for themselves, the other banks, as has been stated, advanced them a considerable sum of money, in order that they might purchase Government securities in London, to form that reserve which they thought it was necessary for them to keep.

Was that engagement adhered to?—I believe that in a very short period afterwards that engagement was departed from, on the part of the Western Bank, and a few years afterwards they, I believe, repudiated it altogether.

Mr Puller—Did they pay off the loan when they repudiated that engagement?—Yes; it was only a temporary advance.

Chairman—We have before us a memorial which was addressed to the President of the Board of Trade, Mr Poulett Thomson, by the Bank of Scotland and other banks, in the year 1838, with regard to the conduct of the Western Bank of Scotland. You are aware of the existence of that memorial?—Yes; that memorial states those facts to which I have just alluded, and especially that advance of money to enable the Western Bank to purchase securities in London.

Will you state what in your opinion were the principal features of the departure by the Western Bank of Scotland from what you consider to be the sound and recognised principles of Scotch banking?—It must be, to a certain degree, only a matter of conjecture; but it was supposed that as they kept no large reserve, as they did not keep that large London account which the other banks did, they found it more profitable to employ all their capital in the discounting of bills, or in other ordinary banking transactions, from which a larger profit is generally derived than from the dividends on public securities.

Perhaps you will state to us, shortly, what you consider the distinctive features of sound Scotch banking?—Those were very fully detailed before the Committee which sat on the Banks of Issue in the year 1841, by Mr Blair, who was then, and is now, the manager of the Bank of Scotland; and I therefore think that for information upon that subject, the Committee will find it there more fully, and in greater detail, than I am able to state. But, I believe that that which he considered the most important point in the system of Scotch banking was the maintenance at all times of large reserves in government securities or in cash, and particularly that there should be always a large reserve in London, where in point of fact, all the large claims upon the Scotch banks are finally liquidated.

When you say "large reserves," do you distinguish any particular proportion between the liabilities and the reserves?—Mr Blair stated then the principle upon which the Bank of Scotland had acted, and on which they have always continued to act, that those reserves should be from one-third to one-fourth of their whole liabilities, namely, their deposits and circulation. Applying that to other banks, he thought that the least which could be reckoned as safe would be about one-sixth; but he stated that the practice of the Bank of Scotland, and I believe of some of the other old banks, was to keep the larger proportion of one-third to one-fourth.

What you consider the principal feature of Scotch banking is, I believe, that which you call cash accounts?—Yes; that is a system by which small traders especially are assisted with an advance of money to a certain amount upon their own personal security, and that of two persons whom the bank can trust; and the sum which they are authorised to draw they may take out at any time, and in any small portions as they please, as their wants may require. They are also enabled to pay in to the credit of that account, from day to day, any small sums which are received by them. They are charged interest upon whatever sums the bank have advanced to them; and, upon paying in any small sums, as the interest is calculated from day to day, they get the advantage of those payments in the diminution of the charge for interest. The Committee are aware that it has always been the practice of the Scotch banks to allow a moderate rate of interest upon all monies deposited with them, whether upon what are called deposit receipts or upon drawing accounts.

That rate of interest, of course, varies with the state of the market; is there any proportion observed between the rate of interest so allowed to a depositor, and the rate of interest charged to the person who receives an advance?—The old rule used to be to allow two per cent. When the bank charged five per cent., which was the utmost that they could, under the existence of the usury laws, charge their customers, they allowed three per cent. upon deposits. Since the repeal of the usury laws, those figures have varied a little; the rate of interest allowed to depositors has been occasionally three-and-a-half per cent., and on two occasions, during the height of the panic in 1847, and again during the autumn of last year, it was raised for some months to four per cent., which is the highest rate of interest that was ever allowed. With regard to the interest which the banks charge, either upon cash credits, or upon over-drafts, that has been raised to six-and-a-half and seven per cent. during a time of pressure; at present it is much lower.

I think the Western Bank of Scotland was in discredit in the panic which occurred in 1847?—I know nothing of my own knowledge as to that point.

But is that your impression?—There were rumours certainly circulated to that effect, but I know nothing of the extent; I believe that, whatever it was, they did not upon that occasion apply to the Scotch banks for assistance; if they got any assistance it must have been from London.

What was the effect upon the circulation of Scotland of the failure of these two banks?—These two banks suspending their payments in the course of the same week, and that occurring at the period in November of what is called in Scotland the Martinmas Term, in which the greatest amount of business is transacted in Scotland, at which all annual payments are made, it created very great confusion and embarrassment throughout the country. It became absolutely necessary in order to supply that void that the other banks should increase their issues, and persons who had formerly dealt with those banks came to them to assist them in their difficulties. The issues of the other banks increased very much during the remainder of the month of November, and as they could not increase their issues under the provisions of the Act of 1845, except by supplying themselves with an amount of gold equal to such increase, a very large demand for gold was necessarily upon that account made on London during the week from the 9th to the 14th of November.

What was the object of the application which you made to the treasury at that time?—The memorial from the banks, which, I think, was agreed to on the 11th of November, was, I believe, to point out to the government the necessity under which they were placed of sending for a large quantity of gold, which they knew at that time would be inconvenient to the Bank of England, and they suggested two alternatives. In the first place they suggested the suspension of the Act of 1844, which, in fact, was done during the very day that their letter was on its way from Edinburgh to London. The other point in the memorial, I think, was, that Bank of England notes should be a legal tender in Scotland, which they are not under the Act of 1845. I think the memorial embraced only those two points.

The object of making the Bank of England note a legal tender was to obviate the inconvenience of carrying large quantities of sovereigns down to Scotland?—Yes. In the first place it would have been a convenience to some extent to the banks who required these additional funds if they could have brought them down in the shape of notes of the Bank of England, instead of transporting, at considerable expense and risk, large quantities of gold, understanding that it would have fulfilled the requirements of the Act of 1845 to the same extent as actual coin would have done. Another reason was, that they thought it might be less inconvenient to the Bank of England to send down an increased number of notes than actually to send down the sovereigns at that particular moment.

As regards the ultimate reserve, that is to say, the bullion in the issue department, sending Bank of England notes would have exactly the same effect as sending sovereigns?—I think it would have precisely the same effect.

The only question would be whether that reserve o gold, which is to be the ultimate security, should be at the time in London or be in Scotland?—Precisely.

Would there, in your opinion, be any objection to the Bank of England note being a legal tender in Scotland?—I do not think there would; the principal banks at that time expressed a wish in favour of it, and I believe that there never was in Scotland any unfavourable feeling upon the subject of the Bank of England note being a legal tender. I think that in the year 1845, any suggestion as to its not being made a legal tender in other parts of the United Kingdom came rather from Ireland than from Scotland.

Under the Act of 1845 a much larger quantity of gold is kept at any one time in Scotland than used to be the case. What is the sum of gold now in Scotland under the operation of that Act?—I believe it will be found, upon reference to the evidence before the Committee on Commercial Distress in 1848, when some very intelligent bankers from Scotland were examined as to the effect of the Act of 1845, that they admitted that there was a very large

increase in the quantity of gold retained in Scotland since the passing of that Act: upon the average of the three years preceding 1844 the amount of gold coin in Scotland was under £400,000, whereas since the passing of the Act of 1845, it has been always above £1,000,000, varying at different times of the year from £1,000,000, to upwards of £2,000,000.

Do you know, according to the last return, what is the quantity of gold now in Scotland?—Upon looking at the Gazette returns for the month of March, the last that have been published, I think the amount of gold appeared to be about £2,100,000. The circulation at this time of year is reduced very nearly to its minimum; the whole circulation of Scotland at that time was under £3,500,000.

Of the paper circulation of Scotland, how large a part is of notes under £5?—It is very nearly two-thirds upon the average.

If the law were assimilated in Scotland to the law which prevails in England, the quantity of gold, in addition to that which is at this moment in Scotland, which the law so altered would require to be in Scotland, would not very much exceed the quantity of gold which, under the Act of 1845, is now in Scotland?—It probably would exceed considerably even the large amount which is at present held; that is far above the amount which the banks are required to hold to fulfil the conditions of the Act of 1845; but I think that if the gold were substituted (I presume the Right Honourable Chairman's question alludes to £1 notes), it would require, for the purpose of keeping up the active circulation, and also for keeping up the necessary reserves in the hands of the bankers, both at their head offices and at their numerous branches in Scotland, a very much larger amount of gold than what was required for the actual circulation, and that perhaps the amount, although it is almost presumptuous to offer any opinion upon it, might altogether be nearly £3,000,000 in addition to what they hold at present.

The authorised circulation of Scotland is about £3,000,000?—Yes.

Of which, two-thirds are in £1 notes?—Yes; of that authorised circulation, about £2,000,000 may be considered to be in £1 notes.

For everything above that, the banks are required to hold sovereigns for every pound that they issue?—Yes.

Therefore, if the whole of the £1 note circulation were called in, and gold were substituted for it, and if the Bank of England note were made a legal tender, and the law of Scotland in other respects were assimilated to the law of England, what addition to the bullion of Scotland would be required by law over and above the calling in of the £1 note?—I think that it would not be less, though I have no very correct data upon which to form an opinion, than the sum which I have mentioned. I think that it would require about £3,000,000 in addition to the amount of gold which the banks are obliged to hold at present under the provisions of the Act of 1845. That would make for the whole circulation of Scotland the probable supply of gold, say from £4,500,000 to £5,000,000, as that which might be required for the two purposes which I have mentioned, namely, supplying the place of the £1 notes in active circulation, and also having a working stock for the bankers at their head offices, and at their numerous branches, to enable them to carry on their business.

You mean that prudence would insure their keeping that additional sum; not that the law would require it?—No; but I think that it would be necessary for them, for the safe and satisfactory conduct of their business, always to have a large working stock in hand at the head office. In the morning, the first persons who might come to the bank might be drawing out money instead of paying it in, and it would therefore be necessary for them to have a certain amount in hand in order to enable them to answer the demands made upon them.

But their reserves, now over and above their authorised issue, must be covered by gold?—No doubt they are; but the banks have a very large stock of notes always on hand, which are issued on particular days, very much in excess of the authorised issue, but which, by the system of exchanges which takes place, returning to the issuing bank in the course of the week, their average issue is reduced in the course of the month greatly within the amount of gold which they hold.

Then that £3,000,000 which you contemplate might be required, is merely to answer that amount of notes which the banks issue for the transactions of a single day, and which finds its way back again in the evening by the system of exchanges?—You must take the £1 note circulation at probably £2,000,000; that is the authorised circulation; but I think you will find that, upon the average, the £1 note circulation in the hands of the public at the present moment amounts to very nearly £3,000,000: they would certainly require gold to the amount of that £3,000,000, and I think they would require perhaps at least £1,500,000 in addition to that to be distributed amongst the head offices and the various branches as a working stock, and also as a reserve against their £5 and larger note circulation. I think that, as a matter of prudence, the bankers would hold gold for that purpose also.

What do you conceive to be the reason why the provisions of the Act of 1845 differ from the provisions of the Act of 1844?—The principal difference consists in the permission that was

granted for the continuance of the small note circulation in Scotland and Ireland. I believe that was done chiefly from a feeling that in Scotland especially there was a very strong prejudice in favour of the £1 note circulation; that there were greater apprehensions felt as to the risk of receiving counterfeit gold, or at that time especially, light gold, than there were of receiving a counterfeit note, or a note which would not thereafter be paid: and certainly the feeling of the people of Scotland was at that time nearly as strong upon the subject as it was in the year 1826.

The light gold had just been called in about that time, had it not?—Yes; no doubt that produced a peculiar feeling at that precise period, the light gold having been called in in the two preceding years.

In consequence of the change which was made in the law in 1845, did the banks in Scotland make any change in their mode of dealing with their customers?—They have made a slight change; they have made an increased charge upon some branches of business; for instance, with regard to the particular branch of the granting of cash credits or cash accounts, they have, since 1845, been in the habit of charging, in addition to the interest of 5 per cent., ½ per cent. commission.

If, therefore, any further restrictions should be imposed upon the banks in Scotland, it is probable that that loss would be compensated to them by some additional charge?—I have no doubt that that would be the case. I do not believe that banking capital is found to make any very extraordinary profit at the present moment, and therefore, if the trade of banking was to be carried on, any additional expense that was thrown upon the banks would most probably be transferred by them in some form or other to their customers in the shape of additional charges of one kind or another.

Has there been any falling off in the multiplication of branches to the banks of Scotland since the restrictions which were imposed by the Act of 1845?—There has been a great increase of branches of the several banks in Scotland within recent years. I am not quite certain to what extent since 1845, but I believe to a very great extent; I think, however, it will be found that these new branches are principally of the banks that have been most recently established, and not of the old banks.

Mr Cayley—Established since 1845?—No, there have been no banks established since 1845; there were a great many joint-stock banks established in Scotland, I believe, after 1832.

Chairman—Within the last 10 years has there been a very remarkable increase in the number of branches of Scotch banks established in different parts of Scotland?—Yes, I believe so, and perhaps that has been carried to excess; that is to say, that in some very small villages the trade and business of which would hardly do more than pay the expense of one establishment, two or three rival establishments have been set up.

If we were establishing a law for the United Kingdom for the first time, are you aware of any reason why the law of Scotland should differ from the law of England in this respect?—No; if the Legislature had to settle for the first time, the whole question being open, the question of the currency of the empire, I know no reason whatever why there should be a separate law for England and for Scotland; but when you find that the law and the practice in Scotland, from the very first establishment of the banks, have always been to issue £1 notes, which was the law in England but for a very short period during that time, the habits of the people are so familiar with the £1 note circulation, and they have such strong prejudices in favour of it, that I think it would require a strong case of inconvenience and danger, either as affecting the security of the note-holder in Scotland, or inconvenience to the Bank of England, to induce the Legislature to make so great a change in the habits of conducting business in that country.

Then you rest your objection to such a change, more upon the peculiar circumstances, or rather the peculiar feelings of Scotland, than upon any general principle affecting the wisdom of legislation upon the subject?—Certainly; I am giving only my own individual opinion; but I certainly think that perhaps an undue importance is attached to the continuance of the L.1 note circulation; at the same time, the feeling of the country is so strongly in favour of it, that I think it would require very powerful reasons to warrant a change being made. I however believe that there is no person connected with Scotland who would say, if really the continuance of this system is attended with serious injury or danger to others, that he would wish it continued; their belief is that it does no harm to others, and that it is a great benefit to themselves.

To the banks I think you do not consider that so much an object as to the population?—do not think the banks have so strong an opinion in favour of the retention of the L.1 note circulation as they certainly expressed before the Committee which sat upon that very subject in 1826; but I believe that the general opinion of the banks would be strongly in favour of the continuance of the law as it at present stands.

If it were to be altered, they would meet the case as regarded themselves by some slight increase of commission charged to their customers?—Probably in that way.

In the present state of banking in Scotland, there are many more banks in proportion to the population of Scotland, than there are in other parts of the United Kingdom?—If you include the branches, greatly more; if you include the branches, I believe you will find that the total number of principal offices and branches of the banks now existing in Scotland, actually exceeds the number of the whole of the banks and branch banks in England; or that it is very nearly equal to it. I think there are upwards of 600 branches in Scotland of the different banks.

In the Banking Almanack for 1858, it appears that there are 666 branches in Scotland; in 1848 there were 391, showing an increase in ten years of 275 branches under the operation of the Act of 1845. Is that so?—I do not know whether that account includes the branches belonging to the Western Bank. I believe there were above 100 branches of that bank in different parts of the country, which of course were all suppressed upon the stoppage of the bank. Some of the other banks have established agencies in certain of the towns where these branches previously existed, but I believe not in all; so that probably, upon the whole, there is rather a diminution than an increase in the number of branches in the course of the present year.

I believe that in that account, the branches of the Western Bank are included; but that as, speaking generally, those branches have not been discontinued, but have been taken up by one or other of the remaining banks, the aggregate is not very materially altered. Do you know whether that is the case?—Upon looking at the Edinburgh Almanack for this year, which is not conclusive authority, I see that the number of branches is stated to be 602.

The number of principal banks is diminished by the failure of the Western Bank?—Yes, the number of the authorised banks of issue.

There are now 15 principal establishments, are there not?—Yes.

Mr M. T. Smith—You have stated that the losses of the Western Bank amounted to about £2,000,000 sterling?—Yes.

Who were the parties through whom they incurred those losses?—The great bulk of the loss was to their own shareholders, whose capital, amounting to £1,500,000, has been completely swept away.

To what houses in particular did they advance money, by which houses they ultimately became losers?—It has appeared from the proceedings in bankruptcy since, that they had advanced very large sums of money to those two houses which I have previously mentioned, namely, the house of Macdonald & Co., and the house of Monteith & Co.

Had the Western Bank of Scotland any agencies abroad?—I think they carried on some banking transactions at New York; they had an agent established there; but the arrangements, so far as I am acquainted with them, appear to me to be so complicated, that I could not attempt to offer an explanation of it; it certainly was out of the ordinary course of what would be considered banking.

I take it, that with regard to the City of Glasgow Bank, there was no doubt in the world that they had a recognised agent living in New York?—I believe they had.

And they were drawn upon in Scotland by that agent; so that a man depositing his money in Edinburgh was liable to have that money sent for employment immediately across the seas?—Yes; I think that a proposition to establish some similar agencies was made to some of the other banks, and was declined by them, they considering it of an unsafe character.

Mr Cayley—Was not there a run upon the Glasgow banks about the time of the suspension of the Western Bank and the City of Glasgow Bank?—I believe that for some days there was a very considerable pressure upon some of the other banks. The Committee can easily understand the great alarm which was created in Glasgow by an event which, as far as Scotland is concerned, may be called entirely unprecedented, namely, the failure of two very large banks of issue. That created, no doubt, very great alarm, especially amongst the lower classes, who came to the various banks, where they had little sums of money deposited, to draw them out, and the holders of the notes were anxious to get those notes exchanged. I believe there was as great a run upon the National Savings Bank in Glasgow at that time on that account as upon any other bank; but I believe that that run did not exist for many days.

It did not, in point of fact, exist for more than two days, did it?—I am not quite certain, I was in London at the time; but I recollect receiving a letter here, upon the 14th of November, stating that matters had returned nearly to their regular course.

Do you happen to know whether that run extended from Glasgow to Edinburgh and to the other parts of Scotland?—No; in Edinburgh we felt very little of the effect of the crisis in Glasgow, and therefore gentlemen who are more connected with Glasgow are more competent to give the Committee information upon that point; we felt it, but very slightly indeed.

There was no great alarm excited in Edinburgh, was there?—I do not think there was; and I may say, as far as the chartered banks there were concerned, that there was none whatever as to their own position.

You cannot speak in detail as to the run in Glasgow?—No; I think you will be able to get it in detail from witnesses connected with Glasgow.

You have been asked with reference to having a supply of Bank of England notes with which to convert your notes instead of gold; supposing that, under the circumstances of the alarm existing in Scotland at that time, the law of Scotland had been assimilated to that of England, and you had been obliged to send for a supply of notes instead of a supply of gold, to the extent of L.2,000,000, would it not have had the same effect upon the reserve of the Bank of England as sending for the gold?—It certainly would have had the same effect; because, as the bank could issue no notes at that time except against gold, if we reduced the notes which they had in London, the effect was exactly the same as if we withdrew the gold.

Then, as the Bank reserve was, on November the 4th, £2,155,000, and as it was on the 11th November only £958,000, if you had demanded £2,000,000 of notes, instead of £2,000,000 of gold, the effect upon the English mind, by the diminution of the Bank of England reserve, would not have been very materially diminished?—I do not think it would.

With regard to the growth of the rate of interest which you have afforded to your depositors, which seems to have increased from two to four per cent. of late years under pressure, do you suppose that the tendency would be, if another pressure was to occur of a similar character, to increase the rate to depositors in the same way as the English banks have now been in the habit of doing for some time? No, I do not think it would. The increase to 4 per cent. was considered to be very much out of the usual course of business in Scotland, and it was objected to by some of the banks; and it was only on account of its being adopted by a majority of them, that the others, after some time, followed the same course; that high rate of interest on deposits (for four per cent. we consider a very high rate), existed for some months; as soon as the change took place, and the Bank of England reduced their rates of discount at the beginning of this year, the interest allowed to depositors in Scotland fell precisely in the same proportion, and now it is only two per cent.

But there are two parties to a bargain as to what the rate shall be, I presume?—Of course as the money is all held at call, it is in the power of the depositors, if they are dissatisfied with the rate of interest, to withdraw their deposits.

And as the communication now is so rapaid between England and Scotland, by means of the electric telegraph, if the depositors in Scotland, hearing of a rise in the rate of interest in the English banks are dissatisfied with four per cent., the tendency will be, that the Scotch rate will rise to a par very much in the course of time with the English rate under pressure?—If the system was to continue which prevailed last November, of such very high rates of interest being given by joint-stock banks in London, I do not know what might be the effect upon the rates of interest in Scotland; but I should be very sorry that the banks of Scotland should increase the interest allowed to depositors above that which they have been hitherto accustomed to give.

Did you find that the rate of any other kind of money than of commercial money, was affected by the pressure; for instance, the interest on mortgage?—The interest on mortgages I think was not affected; the interest on mortgages remained as it had been, and still remains so; I think it is four per cent.

Do you remember whether, by the panic of 1847, and the subsequent pressure, there was any effect upon the rate of mortgage interest?—I do not think that that was felt to the same extent in Scotland; I think that some mortgages rose to five per cent.

There is now no limit to the rate of interest upon mortgage, I believe?—No, I think not.

CHAIRMAN—There was in 1847?—Yes.

Mr CAYLEY—If the mortgage interest rose to 5 per cent. in 1847, and if such a state of things as the present was often to recur, or to continue for any length of time, do you see any reason why the rate of interest upon commercial money should not by slow degrees communicate itself to interest upon mortgage?—The rate of interest upon commercial money, if by that is meant the rate of discount charged by the banks, has always, and still more closely latterly, followed the action of the Bank of England. I have been talking only of the interest which is allowed by the banks of Scotland to their depositors. Many of those are persons who lodge small sums in the bank, and who lodge them there permanently. They are persons who in England probably would have placed the same money in the Three per Cents.; but they have a difficulty in knowing how to set about purchasing Three per Cents.; they get a somewhat lower rate of interest in the bank, but they have implicit confidence in the bank; they know that they can get their money at call when they require it; and there is not the same disposition as may exist on the part of depositors in banks in other parts of the empire to change their investment merely for a rise in the rate of interest.

Mr G. C. GLYN—Are those deposits at call or for any fixed period?—They are all at call, and they may be demanded without any notice.

Mr CAYLEY—They are cash balances, in fact?—Yes; they are the same as cash balances. If a person lodge money upon what is called a deposit receipt, the only difference is, that he

must bring the receipt to receive the whole amount at once; and he can pay a portion of it in again, if he does not require to remove the whole of his money.

Both your cash balances and your deposits are at call?—Yes; but I do not know whether in some banks, in special cases, they might not say, here is a very large sum of money lodged, and if this is all to be drawn away at call, we wish you to give us some previous notice of your intention to remove it. There were banks established in Scotland about ten years ago, which were called exchange banks; they did give a much higher rate of interest, but they required a certain notice; but that was a system which did not succeed in Scotland, and I think they have ceased to exist.

Mr G. C. Glyn—They lent their money upon railway shares and securities of that description?—I think it was during the railway mania.

Mr Cayley—The number of branches in Scotland appears very nearly to have doubled in the last ten years?—Yes, I think that arises from the competition.

Have there been many new banks established in that time?—There have been no banks established since 1845.

No new banks can be established in Scotland, I believe, as in England, with the power of issue, by the law of 1845?—The law is the same in that respect; they are both included under the provisions of the Act of 1844, which restricted the issue of notes to the banks which were then existing as banks of issue. No new bank of issue has been since created.

Is there any bank in Scotland not exercising the privilege of issue?—I think none; I think they are all banks of issue.

Then the old banks which existed previously to 1845, have had a monopoly given to them by that Act?—Yes; but that monopoly is restricted by the provisions of the Act of 1845, which limits the total amount of their issues to a certain sum.

If the Act of 1845 limits the circulation of the banks of Scotland, on the other hand it creates for them a monopoly by virtually preventing any rivals to them ever rising into existence?—Yes.

Supposing there were no limit upon the circulation of the present banks of Scotland, what effect do you think it would have upon their circulation?—I think that it would be a very great temptation to the banks there, considering the great competition among them, to resort to every means in their power to extend their issues so far as that can be done by an increase of discounts. It has ceased to be so great an object to them to extend their issues, because whenever they exceed a certain limit, they must provide gold to meet the excess. With regard to monopoly, they stand in that respect precisely on the same footing as the private and joint stock bankers of England do under the Act of 1844.

Is not there a natural check upon the circulation of a bank which might desire to over issue, by there being rival banks?—There is no doubt that by the present weekly exchanges, no bank can for any considerable time keep any undue excess of issue in circulation. At the same time, before the restrictions of the Act of 1845, there was a very great anxiety evinced on the part of many of the banks to increase their issues, especially their small note circulation, which I think might increase unduly a spirit of speculation in the country. That has been checked, I think, by the operation of the Act of 1845.

The small note circulation being more liable to stay out with the public than the larger notes?—Yes; the notes of the larger denominations seldom remain out above a couple of days, perhaps many of them not a whole day.

In addition to the privilege of continuing the circulation of £1 notes, the Act of 1845 gave to the Scotch banks a privilege additional to that conferred upon English banks, I think, by allowing them to exceed their issues upon gold?—Yes, there is that difference, that whereas there is no power to increase the issues in England, the Scotch bankers have that advantage; that if they supply themselves with gold, they may increase their issues.

Sir James Graham—Were you in Edinburgh in October, when a negotiation took place between the chartered banks and the Western Bank of Scotland?—Yes; I was in the habit of attending the meetings of the directors of the Bank of Scotland at that time every week, and had an opportunity of knowing what took place.

Did I rightly understand you, that the first recommendation when assistance was sought by the Western Bank, was that they should go to the Bank of England, and look to the Bank of England for assistance?—Yes; I think they were told so, that if the Bank of England would assist them, it would be an encouragement to the other banks.

You were asked whether the banks in Scotland looked at that period with uneasiness to the state of affairs, and I understood you to say that at that time the state of the money market in America had excited alarm. Do you in Scotland look attentively to the weekly publications of the Bank of England with regard to the efflux of bullion and the state of the reserve?—Yes; I think it has been the practice of all the banks in the last ten years minutely to examine the state of the accounts published weekly of the Bank of England, and to regulate their discounts by the rates charged by the bank.

With regard to that negotiation which took place in October, at that time had there been any symptoms of a demand for gold to answer the £1 note circulation?—No; there was very little demand for gold in exchange for notes in Edinburgh.

But at the branches?—And at the branches, except at Glasgow. The bank of Scotland have a branch at Glasgow.

But at Glasgow, even as early as October, there had been some run at Glasgow for gold?—I am not aware whether there was or not. At the period of the failure of the Western Bank, there was a considerable run for gold upon the other bank which stopped payment two days afterwards.

When the banks in October gave assistance to the exent of £500,000, was there any stipulation as to issues?—No; there was no other stipulation made with the Western Bank except that which was first proposed, that they should take the earliest means in their power to wind up the whole concern.

Issues included?—Issues included.

The Western Bank of Scotland was the largest issuer of £1 notes in Scotland, was it not?—It was a very large issuer; it was one of the largest banks of issue.

Was it not the largest?—I think not quite the largest, but very nearly so.

When it stopped, and you negotiated with the government in November, in that negotiation did the question of that large issue enter into the discussion?—Yes, it did. I took the liberty at that time of calling the attention of the Chancellor of the Exchequer to the subject. I told him that the withdrawal of so large an amount of the issues of Scotland at that time, two banks having stopped whose aggregate issues amounted to upwards of £800,000, being more than one-sixth, nearly one-fifth of the whole circulation of Scotland, created a very large vacuum, which must be immediately supplied by the other banks, and that we could have no other means of doing so but by drawing for gold from the Bank of England to that amount. I said that that circumstance would press so severely upon the Bank of England, that I suggested to him the propriety of considering whether the government might not allow the other banks to divide amongst them the lapsed circulation of the two banks which had stopped payment.

Under the Act of 1845 the note circulation once lapsed cannot revive without the consent of Parliament?—No, there is no machinery in the Act for reviving it.

Then in point of fact the circulation of the Western Bank of Scotland, the largest circulation of any one bank, has lapsed?—Yes, I believe there is some uncertainty in the law of 1844, as to what circumstances would forfeit the privilege. There were doubts entertained, and I believe that a difference of opinion existed whether the suspension of these two banks for a few days was sufficient to bring them within the provisions of that clause.

But the construction which you put upon it in your negotiation with the Chancellor of the Exchequer, was that it either had lapsed or was about to lapse, and you were desirous that the solvent banks should have the power of taking up those issues?--Yes, at the same time, in making that suggestion, I did point out the doubts which might exist, and therefore the request was made to a certain degree contingently.

That proposition was not adopted by the Chancellor of the Exchequer?—That proposition was made on the 12th of November, and it was made with a hope, but a vain expectation, that a compliance with it might have so far relieved the Bank of England from the pressure made upon them as to have rendered it unnecessary for them to take advantage of the Treasury letter, which had issued the previous day. But as it did so happen, I believe that in the latter part of that very day, the 12th of November, the bank were obliged to act upon that letter, and therefore the pressing necessity for the change no longer existed, and under those circumstances I received an intimation from the Chancellor of the Exchequer that the government did not intend to entertain the proposition.

The City of Glasgow Bank has resumed its operations?—Yes.

It also was a bank of issue, was it not?—Yes.

Has its issue been discredited in consequence of that stoppage?—No; its issue seems to have increased very considerably by the late returns.

Since the resumption?—Since the resumption; they began with a small amount, and their business, as far as the issue of notes is concerned, appears to have been gradually extending.

Is it approaching the maximum under the Act of 1845?—It considerably exceeds their authorised limit. They were a bank which had been very recently established; at the time of the passing of the Act of 1845, their circulation amounted only to about £72,000; by the last *Gazette* return, I see it is £198,000, but the same return states that they hold £194,000 of gold to meet that circulation.

The issue of the Western Bank was about £300,000, was it not?—By the return issued in the month of October, their average circulation for the preceding month was about £450,000; but in the statement that was laid before the shareholders of the condition of the bank on the

9th of November, from some cause or other it appears that their notes in the hands of the public on that day had increased to no less a sum than £720,000.

I understood you to say that they had £60,000 in securities in London, a cash balance of about £204,000, and a debt of £9,000,000?—Yes; that is the result of the investigation which was made by a committee of the shareholders appointed at a general meeting on the 2d of December, and who reported those facts to a subsequent general meeting on the 17th of that month.

The Western Bank had a circulation at that time of about £300,000. The proportion of £1 notes, you say, is generally about two-thirds of the whole circulation; there was, therefore, about £200,000 of £1 notes out at that time, with that the state of their cash balance and of their securities in London?—Yes; so it appears from that statement.

The notes have no priority of claim over deposits, have they?—No.

They are both payable at call?—Yes.

The moment discredit begins, it is a rush who gets in first, the £1 note holder or the depositor?—Of course; if a depositor drew out his money, and was paid in the notes of the bank, he would immediately hand those notes over the counter, and demand gold. But I believe the general way in which the discredit showed itself was not by the depositors demanding gold, but by drawing out their accounts, and placing them in some other bank in which they had greater confidence.

Mr HANKEY—I think you have said that nearly all the circulation in Scotland is in bank notes, and that the small denomination of the circulation is in silver?—Yes; it is very rarely that a sovereign is tendered.

If the £1 note circulation were abolished, do you think that the total circulation in Scotland would be increased or diminished. I mean by the total circulation the metallic circulation as well as the paper?—I do not think it would be increased. I think that it would rather (I do not know to what extent it might go) be a means of economising the use of gold to avoid the expense of keeping an unnecessary stock of it, and that it might rather lead to arrangements which would economise the quantity of currency required for the daily transactions.

You have said, as I understand you, that there is very little gold practically in Scotland. Are there not periods when gold is required in Scotland every year?—No, there is no periodical requirement of gold. I believe that any bankers will tell you that the only time when they are asked for gold is when persons are leaving Scotland for the purpose of coming to England, to whom notes would be of no value.

Then there are no particular periods when gold is required for use by the banks in Scotland?—As the banks have to increase their issues of notes to meet a great number of payments at two periods of the year, namely, in the month of May at Whitsuntide, and in November at Martinmas, many of the banks are under the necessity of increasing their reserve of gold to meet that increased issue of notes.

How is that gold usually obtained by the banks in Scotland?—Of course they must obtain it from the Bank of England or from some of the branches of the Bank of England.

Is it usually obtained from London, or is it usually obtained from the nearest branch of the Bank of England?—I think it is pretty generally obtained from Newcastle.

Can you give any reason why the banks of Scotland should not be compelled to invest a fixed amount of their issues in Goverment securities, as the Bank of England are compelled to do?—I believe that an objection has been felt very strongly by the private and joint-stock bankers in England to any such provision. I think the banks would object to a specific amount of their capital being at all times locked up, and put beyond their reach. Though as a matter of prudence they would keep quite that amount, yet they do not wish it to be entirely placed beyond their reach, so that in a case of emergency they would not be able to trench upon that reserve, which they might require for a short period.

Then do you think it would have a prejudicial effect upon the banking interest in Scotland if the banks in Scotland were compelled to follow the same rule which the Bank of England are compelled by the Act of 1844 to adopt?—I think they would feel an objection to it. I believe there would not be the same objection to such a statement of account.

Is there any practical difference between the banks keeping a certain amount of their issues in Government securities and their present practice, which you stated to be to keep a certain amount of their reserves in Government securities. I understood you to say that that was the principle which almost all the banks which were well managed adopted?—I believe that there are some of the banks to whom, practically, it might make no difference; but I think there would be a feeling amongst them that they would not wish to have a specific amount of their assets so locked up and put entirely beyond their reach that they had not the power of using them beneficially upon some occasion when they might require it, although their practice would be to keep quite that amount, as a matter of prudence, to themselves.

But, in point of theory, you see no reason why the same practice should not be adopted in

Scotland as in England, except the feeling which exists on the part of the banks, that they wish to be able to make use of the whole of their securities, rather than putting any of them out of their own control?—I think that if the Legislature, upon full consideration of the matter, should require a similar provision from all banks of issue in England, there could be no reason stated why that law should not apply to Scotland; but I do not know, on the other hand, why it should apply specifically to banks in Scotland, if it was not extended to the private and joint-stock banks in England.

But if it was applied generally to the joint-stock banks in England, you can see no reason why the same rule should not apply to the banks in Scotland?—No further than that I believe that the bankers themselves, both in England and in Scotland, would not approve of that arrangement.

It has ben stated to this Committee, that the rate of interest charged by the discount houses in London in the year 1852 was under 2 per cent.; and it has also been stated, that in 1856 the average rate of discount was very nearly 6 per cent., £5, 17s. 8d.; which of those two years do you consider was the most prosperous year for the banking, as well as the commercial interest in Scotland; the year in which the low rate of interest prevailed, or the year in which the high rate of interest prevailed?—As the relative prosperity of those two years might depend upon various other circumstances, I could not pretend to answer that question.

Do you think that generally the banking interest is more profitable when the rate of interest is high than when the rate of interest is low?—I do not feel myself competent to answer that question.

Mr G. C. Glyn—Was the run which took place upon some of the banks in Scotland after the failure of the Western Bank chiefly upon the notes by the note-holders, or upon the deposits by the depositors?—As far as we knew anything of it in Edinburgh, it was principally by the depositors; by a transfer of their accounts.

It was not an actual demand for gold, but a transfer of their accounts?—Yes; at the same time all the banks feeling some degree of uncertainty when a panic once begins to what extent it may go, thought it necessary for their own security to increase their reserves of gold at that time considerably beyond the amount which, as I have already stated, was required to meet the lapsed circulation.

By whom was the memorial, which you stated had been presented to the Chancellor of the Exchequer in the month of November last, signed; was it signed by the chartered banks only?—It was, I think signed by the chartered banks, and I think also by the Union Bank.

One of the prayers of that memorial was that the Bank of England note should be made a legal tender in Scotland?—Yes.

Can you tell the Committee whether the same opinion prevails among all the banks in Scotland now, upon that point, as prevailed then?—Yes; but I believe that, looking at the question as it was pointed out by the Chairman, it makes very little difference, as far as the Bank of England is concerned, whether the banks in Scotland should hold coin or Bank of England notes; I think that they do not attach very much importance to it.

But does it not make some difference as regards the issue department; the bullion in the hands of the Bank of England?—It would be very much the same if they drew out the whole of their reserve of notes.

Earl of Gifford—If the limitation which is now imposed upon the Scotch issues under the Act of 1845 were done away with, do you think that it would be possible for the Scotch banks to, what is called, unduly issue notes; to extend their issues?—My opinion, which may not be a well-founded one, is that it would, and I should be very sorry to see that restriction removed. I think that it was a restriction which was absolutely necessary, flowing as a corollary from the Act of 1844; that having given them the advantage of being the only issuers of notes, the government were fairly entitled to take such precautions as seemed to them to be necessary to prevent the abuse of that power.

Is it not the case that Scotch notes are received all over Scotland, no matter from what bank they are issued?—As almost every bank has a branch in every corner of the country, the notes of each bank are in equal estimation in every part of the country.

It is also the case that interest is allowed on small deposits, is it not?—Yes; they allow interest upon small deposits from day to day.

Therefore it is the interest of depositors to send their notes into the bank from day to day?—I believe that that is the general practice—that the small traders and shopkeepers take to the bank, at the close of business on each day, the money which they have received in the course of the day.

Do not the banks also exchange their notes among one another once or twice a-week?—The exchange takes place twice a-week between the banks in Edinburgh.

All those things must have a great influence to contract the circulation to a minimum amount?—Yes; it is quite true that the amount of money which any individual, or any class

of persons holds, is reduced to a minimum. No man in Scotland keeps more money in his house than, I believe, is absolutely necessary for his daily wants.

The tendency of the Scotch circulation is to a minimum from those circumstances is it not? —Yes; but if you refer to the evidence in 1826, and see the great value which was attached to the system of cash credits, as a system of getting notes into circulation, I think you will see that it was an object with all the banks at that time to resort to every means in their power to increase their issues. At that time few payments were made by cheques in Scotland; every person who had a payment to make, got the amount which he was about to pay from the bank with which he dealt, and the object of that was, to increase, as far as one could, the business and issues of that bank.

You consider the system of cash credit which you have described to us as generally beneficial?—It is attended with great benefit to persons especially commencing business with a small capital; it is not a system which could be extended to very large accounts without inconvenience.

If the £1 notes were done away with, would not that system be very much interfered with? —I do not think it would; it would only be interfered with as being a check to the issue of £1 notes; but the excessive issue of £1 notes appears to me to be completely checked and regulated by the provisions of the Act of 1845, and there is not the same anxiety on the part of many of the banks to increase their issues.

Is not it the main objection which the people of Scotland have to the doing away of the £1 notes, that it would interfere with the system of small advances now made to them, especially among the agricultural interests?—Yes; it is impossible to say from what various causes that strong feeling, which I admit exists in Scotland, has taken its rise. People are always so much wedded to the only system which they have known that they dread change.

Mr Tite—You have spoken of the great losses falling upon the proprietors of banks in Scotland; you have mentioned one case where the whole capital of £1,500,000 was swept away; are those proprietors in the middle, or the upper classes, or the lower classes?—That applied only to one bank, the Western Bank; I believe that in that bank there are persons, as far as wealth is concerned, of every class; from some of the most wealthy individuals in Scotland to some of very humble means.

Did that fact produce any great amount of individual distress?—Very great indeed. There were many individuals, ladies with very moderate fortunes, who had invested, in some instances, the whole of their means in shares in that bank. When that bank failed, they were deprived of the means of subsistence.

It is an unlimited liability, I apprehend?—An unlimited liability.

Is that the case with all the banks in Scotland?—Not with the three old banks which have been established upwards of a century.

Mr Spooner—They are chartered banks are they not?—One of them is under an Act of Parliament; the other two are by Royal Charter.

Mr Tite—Have those failures produced great distrust in Scotland?—I do not think they have produced any general distrust as to the remaining banks of Scotland.

Sir James Graham—How does the paper of the Western Bank of Scotland now circulate; does it circulate at all in Scotland?—I apprehend that none of it was in circulation from the 9th of November, at least within a few days after their failure, the other banks having announced their readiness to take it; owing to that very system of exchanges which I have mentioned, the whole of those notes found their way into the till of one banker or another; and as no bank in Scotland ever issues any notes but its own, there they all remained, and a great portion of them have been gradually discharged by a set off against claims on the bank. For instance, the bank, at the time when they failed had a great number of bills which they had discounted; as those bills gradually ran off, the amount was paid into the Western Bank of Scotland; it was paid in either in their own notes, which were cancelled, or it was paid in in the notes of some other bank, who immediately exchanged them note for note.

From the period of the failure of the bank in November, £300,000 of local circulation has ceased to circulate in Scotland?—Yes, rather more than that.

That is nearly one-tenth of the whole local note issue of Scotland?—Yes; I stated that at the time of their failure the aggregate amount of notes which those two banks had out exceeded £800,000.

One has resumed?—Yes; with regard to the other it was about £300,000, it was one-tenth of the authorised circulation.

One-tenth of the authorised circulation in Scotland has suddenly ceased, and is now suspended? —Yes.

And the failure of the application to the government to be allowed to take up that circulation leaves that a permanent suspension of one-tenth of the local circulation of Scotland?—Yes; the authorised circulation in Scotland now does not exceed £2,700,000.

Has the loss of that one-tenth of the local circulation created, to your knowledge, any inconvenience in Scotland?—No further than requiring the other banks to hold an additional reserve of gold, because they have increased their issues very nearly in the same proportion.

The effect has been that the vacuum has been filled up by the other banks under the regulations and restrictions of the Act of 1845?—Precisely.

And no inconvenience, of which you are aware, has been felt from that substitution?—Nothing further than the inconvenience at the moment of suspension of payment.

That was the moment before the vacuum was at all supplied?—Yes.

Since then, the vacuum having been supplied in the way which you have pointed out, you are not aware of any present inconvenience?—No, not so far as the public are concerned. The banks are at present able to supply a larger amount of circulation than there was in March, 1857.

Sir Charles Wood.—Do I rightly understand from the last answer, that the notes in circulation of the Scotch banks were in March last at a higher point than they were in March, 1857?—No; the notes in the hands of the public are rather less; but as the banks hold £430,000 more gold, they are quite prepared to issue a larger amount of notes.

The accommodation to the public therefore has not been diminished, and the only change is that the banks in Scotland are obliged to hold in their tills a greater quantity of gold as the foundation upon which the additional notes of each bank are issued?—Precisely. In comparing the *Gazette* returns of March, 1857, and March, 1858, it appears that the amount of notes at present actually in circulation is about £330,000 less than at the corresponding period of last year; but, as the banks now hold nearly £2,100,000 of gold, which is greatly in excess of what is required by the Act of 1845, they are in a position to supply a large additional amount of notes, should the state of trade require increased accommodation.

Sir James Graham—Whatever loss may have accrued to the bankers in Scotland from this substitution, and from the necessity of increasing their stock of gold, their customers have not yet had any more severe terms inflicted upon them?—That is so; and that additional stock of gold being divided amongst 12 or 14 banks, has not been felt as any very severe pressure upon them; perhaps not more than is compensated by their increase of business.

The competition diffused throughout Scotland by means of branches as you have pointed out would forbid any one bank, however powerful, from increasing its charge to its customers, so as to cover any loss arising from any large amount of gold?—It would.

And, *pro tanto*, the holders of notes in Scotland have the additional security of a larger amount of gold held in Scotland itself?—That appears to be the position.

Then would not you say that the circulation was sounder, and that the population were deriving an advantage without being called upon, owing to banking competition, to sustain any loss from more severe terms?—There is no doubt that the larger the subtratum of gold is the greater is the security given; I do not think that there was any apprehension generally of the convertibility of the note in Scotland, but certainly the present circumstances, if they have any effect, give it a greater degree of security.

Chairman—That is to say, a Bank of Scotland note based on gold is better than a Western Bank note not based on gold?—Certainly.

Mr Puller—I did not understand you in answering Sir James Graham's question to say that those bankers who had taken up the issue and filled up the vacuum had sustained any loss by doing that?—No.

They are obliged to hold gold, but they have an additional issue of notes which compensates for it?—Yes; at the present moment they appear to be holding a much larger amount of gold than they would strictly be required to do by the provisions of the Act.

In consequence of the destruction of the issue of the Western Bank, we must consider that there is a permanent addition to the quantity of gold which must be held by the whole body of Scotch bankers?—Yes, so long as the law remains unaltered.

In point of fact, I think you have told us that the amount of gold held at present is £2,100,000, and that this is the time of year at which the issues are at their minimum?—Yes.

Therefore we may consider that in future the average amount of gold held by the banks will be more than the £2,100,000?—I do not know that it will be, because, circumstances remaining the same, next month, in the month of May, the issues of the banks will for a few weeks increase; but if they continue to hold so large a surplus stock of gold as they do at present, they might not think it necessary to send for more gold from London, and to increase their stock at that time.

Then you would not put the average amount of gold which must be kept at less than the present amount, namely, £2,100,000?—Yes; I think, upon the average of the year, perhaps in the course of the next twelvemonth, it may be below that.

Does the quantity of gold which is returned as that which the Scotch bankers hold, in compliance with the Act of 1845, include all the gold which they keep in reserve?—I believe it does; I believe that the return includes the whole of the coin which belongs to them.

They are not obliged to deposit gold in any public department?—They are obliged to hold at the head office, subject to inspection once a month by a government officer, an amount of gold equal to the whole excess of their circulation.

Are they not also obliged to keep some reserve of gold at their different branches?—Not by law.

But practically?—Practically they do.

Then in addition to the £2,100,000, considering that there are above 600 branches, there must be a considerable sum of gold spread over the country?—I believe that the return includes the gold, not only at the head office, but at the branches. I confess that, in looking as I have done lately at the clauses of the Act of Parliament, there is some ambiguity upon that point; but as far as I have been able to see, the return in the *Gazette* contains the coin not only at the head office of the bank, but at its branches. But what the law requires is this, that they shall retain at the head office a sum of gold equal to the excess of notes which they may issue above their authorised circulation.

Sir Charles Wood—Do I rightly understand you to say, that you believe the return of gold held by the Scotch banks to include not only that which is held as the foundation of the issue beyond that authorised by Parliament, but all the gold which they may happen to have either at the head office, or at the branches?—That is my belief, according to information which I have received lately. My impression certainly before was, that it represented the gold at the head office only, but I rather incline to think that, it being so largely in excess above what is required by law, it comprises also the gold which they hold at their several branches.

Mr Puller—You told us that if the L.1 notes were abolished you would be obliged, not only to supply the present amount of L.1 notes by an equal amount of gold, but that you would in that case be obliged to keep in reserve a certain amount of gold to meet your noteholders of the larger amount, and your depositors who might want gold, and that all those claims are now met by L.1 notes?—Yes.

Can you estimate at all, or within any moderate limits, what amount of gold would be required for that purpose; I am supposing you still to keep the L.1 note circulation?—At the present moment I believe that a bank having an issue of notes of L.300,000 always in the hands of the public, in order to keep that up will be required to have a stock of gold at their head office or at their branches of about L.400,000 in addition to the L.300,000. That is in a great measure necessary in Scotland on account of the extraordinary increased issues at certain periods of the year; but I believe that whatever number of notes are in circulation you will have at least to add to them, not perhaps double, but one-half more, as the working stock of gold for the bank to hold to carry on its daily business.

In making that answer, are you speaking of the whole note circulation, or are you confining it the £1 note circulation?—I am confining it to the £1 note circulation; I am supposing that the bankers would keep a certain reserve of gold, as a matter of prudence, to meet the demands of their depositors, and of the holders of L.5 notes and larger notes also; but as a substitute for the L.1 note circulation, I think the amount which might be required would vary from L.4,500,000 to L.5,000,000 for the whole of Scotland. That is upon the supposition that all the branches are kept up; I believe that the expense of supplying the distant branches with gold would be so heavy, and so different from the expense of supplying them with L.1 notes, that a very large number of those branches would be closed. Though there is no advantage in having an over-competition in a small village, yet the greatest advantage is conferred in Scotland by bringing a bank within reach of every man, so that he may avail himself of it, instead of keeping the money in his own house, at the greater risk of loss from burglary and other causes.

I suppose the Scotch banks, in fact, replace what is done in England by savings banks?—There are savings banks in Scotland for small sums; the banks in Scotland in general would not take such small sums as are received by the savings banks. A deviation from the rule has been made by one or two banks only, and the irregularity in their case exaggerated the late panic among the humbler classes, depositors in savings banks.

During the late panic and the panic of 1847, was there in Scotland any of that alarm as to the power of obtaining money, which formed one element of the panic in England?—No; I do not think that there any persons who had a fair claim to get assistance from a bank during the time of greatest panic, were unable to get it; there was a caution given by the banks to their own customers, that it would be inconvenient to press upon them unnecessarily. They may have refused applications made from strangers who did not regularly deal with them; but I believe that their regular customers, upon no occasion, had any great cause to complain that they were unable to obtain that accommodation to which they might legitimately think they were entitled.

Then the amount of circulation being rather stringently limited, has there been none of

that disposition to temporary hoarding, which has constituted one of the sources of danger in London?—No; I do not think there has been any individual hoarding. No doubt there were certain persons who took out their money in gold, and carried it away home with them, but I believe that in the course of 48 hours they saw that they had made a mistake, and brought it back to the bank from which they had taken it.

I am not now alluding to the discredit of the notes, but to the fear of not being able to get notes at all?—I do not think that there was ever any feeling of that sort in Scotland.

Mr Blackburn—I think you estimate that if the L.1 notes were suppressed, there would be required in Scotland a stock of L.3,000,000 more gold?—I think thereabouts, although that is a very rough calculation.

The interest upon that L.3,000,000 of Scotch capital at present invested in some way, and producing interest, would be lost to the country?—Upon that supposition that would be the cost to the country of the substitution of the gold circulation for L.1 notes.

Supposing it to be invested in 3 per cents., it would be L.90,000 a year?—Yes.

Then, inasmuch as L.300,000 of the present circulation is suppressed, and replaced by sovereigns, there is one-tenth part of that amount lost to the country, because of that suppression?—I think that what you have stated as the total loss which would arise to the country would be the cost of the substitution of gold for the L.1 note circulation.

The L.300,000 Western Bank circulation being cancelled, is supplied by gold, and the inconvenience is in fact the loss of interest upon that L.300,000?—Yes; the banks appear to hold more than L 300,000 at this time of the year, in addition to what they had last year.

You mention that there was a large increase of the Western Bank issue for about ten days previous to its stoppage?—Yes; it appears from the published statement of their accounts that the notes in the hands of the public on the day when they stopped payment exceeded L.700,000.

Can you account for that having happened?—I have no means of knowing how it happened; it might have been by depositors drawing out their money, and transfering their money, paying in Western Bank notes; but I have no knowledge myself of that.

The other banks held a large number of the notes of the Western Bank when it stopped?—Yes; of course every bank on the exchange days holds a great number of the notes of the other banks.

Are you aware whether there was any run for gold on the Western Bank before its stoppage?—I know very little of the details of what occurred in Glasgow.

I think you stated that a considerable portion of the demand for gold upon the Bank of England was in consequence of the law of 1845; that as the other banks issued notes to supply those of the Western Bank when withdrawn from circulation, and they were obliged to hold gold for it, they were obliged to send to England for that gold under the law of 1845?—Yes.

They would not have been obliged to send for that gold if the law of 1845 had not passed?—No; that was one of the requirements of that law.

I think you also stated that any additional charge which comes upon the banks, they charge to their customers, the public?—That is what has been stated in evidence before the Committee of 1848 as the result of the Act of 1845; that the banking facilities were in some degree diminished; but when asked for details, it appeared to be only by a charge of commission upon the cash accounts, upon which no commission was formerly charged.

As competition amongst the bankers does not make them incur any loss, they reduce their profits to the lowest point which they can?—Yes.

Therefore, inasmuch as their profits are reduced by the transaction, they reduce the advantages which they give to the public?—Yes, of course. Bankers or any other traders will not carry on their business unless they have a fair return for their capital, and time, and labour.

Mr G. C. Glyn—Do the exchanges in Edinburgh take place twice a week, or once a week?—Twice a week; on Thursdays and Saturdays.

Mr. Hankey—You stated that the Bank of Scotland was differently situated from the other two great banks, I think; one being under an Act of Parliament, and the other two being what you call chartered banks?—I think that the Bank of Scotland was established by Act of Parliament at the same time as the Bank of England; I think it was the year after, namely, in 1696. The next bank in Scotland was one called the Royal Bank, which I think was by charter.

Have the banks in Scotland limited liability upon their shareholders, or is it an unlimited liability?—Those three banks have a limited liability. Since that time there were two other banks incorporated by charter in Scotland; one is called the Commercial Bank, and the other the National Bank; they are charted banks, but they have not limited liability; there is a clause in their charter, declaring that the liability of the individual partners shall be unlimited.

Is it not the general impression that the three banks to which you have alluded are limited as

to the risk of their proprietary?—I believe there is no doubt that the three banks, the Bank of Scotland, the Royal Bank, and the British Linen Company, are incorporated with limited liability.

Mr SPOONER—Can you give the Committee any information as to the state of commerce in Glasgow at this time?—No.

Can you state anything as to whether the working classes in Glasgow are in great distress or not at this time?—I believe that a great deal of distress arose not only from the suspension of the banks, but from the stoppage of two very large manufacturers, and from the general stagnation of trade and business which arose out of it; and I know that in Edinburgh there has been a great want of employment during the winter, and subscriptions have been entered into for the purpose of supporting the operatives out of work.

When you state that the public have not felt any inconvenience in consequence of these failures, inasmuch as the other banks have filled up the vacuum, you mean to exempt, I presume, the population of Edinburgh, Glasgow, and Paisley?—The answer which I gave was as to the inconvenience experienced by the holders of the notes of those particulars banks. The question of the stagnation of trade perhaps has been aggravated, but it probably is not to be attributed solely to the failure of those banks, but to the great change which has taken place from causes not confined to this country.

You stated that you thought that a great part of the distress and panic which took place in the last autumn was to be attributed to the failures in America; have you formed any opinion of what created those failures in America?—Nothing further than I believe overtrading, but I would rather not give an answer upon matters which do not come within my own knowledge. These are facts known to all the world, upon which every person can form an opinion.

Sir CHARLES WOOD—Did I rightly understand you to say, in answer to a question put to you by Mr Blackburn, that if the L.1 notes were suppressed in Scotland, L.3,000,000 more gold would be required than is now held in Scotland?—Yes; L.3,000,000 more, assuming that the present amount of gold held by the banks might, upon the average, be taken to be about L.1,500,000; that is to say, L.1,500,000 would be required to be held by the bank as a sort of working stock to carry on their daily business, and to supply their various branches with the necessary funds.

I observe that the notes above L.5 in round numbers amount to L.1,500,000, and in looking to the returns laid before the Committee last summer, I find that the amount of gold held is also rather above L.1,500,000. Would you conceive it to be necessary for the banks of Scotland, having no L.1 notes, to hold as much or even more gold than the whole of the amount of notes above the value of L.5 which they issue?—I believe that the amount of gold which I have named does not exceed the amount of notes which they find it necessary, as they are at present situated, to keep as a reserve. Suppose gold to be substituted for notes, unless you assume at the same time that there is some change in their mode of conducting business, those who are acquainted with the details of banking in Scotland are inclined to think that they would require something about the amount of L.1,500,000 as a working stock to carry on their daily business, and also as a reserve to meet any demands upon them by the holders of L.5 notes, or by depositors.

It appears that the amount of gold at present held exceeds the amount of notes above the value of L.5 issued by the banks of Scotland; is that so?—Yes; at the present moment the amount of notes above L.5 would be about L.1,500,000, and the amount of other notes would be about L.2,000,000.

Will you explain why an amount of gold exceeding, if anything, the amount of L.1 notes issued, would be required in addition to the gold which the banks already hold, which exceeds the amount of notes of a value above L.5?—It proceeds upon this supposition, that it would be necessary that there should be in Scotland an amount of gold equal to the whole stock of L.1 notes at present existing, which consists of two portions, namely, that which is out in the hands of the public, and that which the banks retain as stock, which they find necessary in the course of their business, which is very frequently nearly exhausted. If there was a substitution of gold for the L.1 notes, whether it might not lead to some economical arrangement which would render a smaller supply of gold necessary as a working stock, I cannot pretend to say; it might do so.

The result of your answer, as I understand it, is that a larger amount of gold would be required under those circumstances than the whole amount of notes and gold together?—Then I have made myself misunderstood. What I meant was this; that supposing a bank had a circulation consisting of L.300,000 of L.1 notes, they would find it necessary, in order to keep up that circulation, to have a stock of notes always in the bank and at their branches equal to 50 per cent. upon that amount; so that taking the L.1 notes, in order to keep up an average circulation of L.300,000, they would have a stock of L.1 notes of at least L.450,000: if therefore you substituted actual gold for L.1 notes, we think we should require a sovereign for every one of those L.1 notes. The banks might

find from experience that it was unnecessary for them to retain so large a reserve stock of gold as they at present keep of L.1 notes, and they might be able to carry on their business with a smaller reserve.

If I understand you rightly, you suppose that a bank keeps 50 per cent. upon the notes which it has in the hands of the public, as a reserve to meet the demands of its customers?—Yes; they have those notes sealed and stamped upon which they have paid the stamp duty ready for issue, in case at any time the demand for a day or two should greatly exceed their average, which it does to a very great extent at those two periods of the year when the great payments take place, and when, even with that very large reserve of notes, there have been instances in which the whole have been drawn out.

Does it appear from any of the returns laid before Parliament that the amount of notes issued at any time by the Bank of Scotland varies to anything like the amount of 50 per cent. even at those periods to which you have referred?—I should think that for a single day it almost might do so; say during the time of the 11th of November and the day after it; the number of notes which they had out for a single day or two might be 50 per cent. increase upon their average throughout the year.

Sir JAMES GRAHAM—Assuming that your calculation is accurate, that L.3,000,000 of sovereigns must be introduced into Scotland on the suppression of the L.1 notes, the loss to the bankers would be measured by the value of those L.3,000,000 of sovereigns invested in the funds, say L.90,000 a year?—Yes.

That would be the whole loss to the issuing bankers of Scotland?—I think that is taking a very low rate of interest, because although they might purchase those sovereigns in the first instance by the sale of three per cent. consols, which did not yield them more, they would probably think it necessary to replace that reserve which had been sold by a further purchase, which could only be done by abstracting from the more profitable portion of their business the funds for that purpose. I think that the cost of a gold circulation might rather be stated at 5 per cent. than at 3.

There would be a deduction to be made in the case put, on account of the expense attendant upon the issue of L.1 notes, which would be saved?—Of course the bank would be saved from the expense of the manufacture and issue of its notes.

That would be a saving *per contra?*—Yes.

Assuming that the balance should be L.100,000, or even L.120,000 a year, the people of Scotland would have a metallic currency instead of a L.1 note currency at that cost of L.100,000, or even L.120,000 to the issuers?—Yes.

That is viewing it as a Scotch question?—Yes.

But, taken as bearing upon the position of the Bank of England in times of panic, when the demand for gold is met with the greatest difficulty and inconvenience, reflected upon the whole commercial world, would it, in your judgment, be a very unreasonable thing that Scotland, through its bankers, should bear the loss of L.120,000 a year profit, and that the whole commercial world should be greatly relieved in times of panic and great danger?—I think that we must look to past experience. I think that, with the exception of the year 1857, when the demand for gold arose from peculiar and exceptional circumstances, there is no evidence that in 1847 and 1848 there was a demand for gold to any extent from Scotland, nor am I aware of it at other times of pressure. Upon this last occasion I know that there was a very large amount of gold sent down in the course of that particular week.

And that was the week of the greatest pressure in the centre of the monetary affairs of the United Kingdom?—Yes.

If the demand from Scotland at that moment should have aggravated that pressure, the whole of the commercial interest of the United Kingdom suffered in consequence?—They did; and it was with a view, as far as lay in our power, to suggest a mode of alleviating for the moment that pressure, that the memorial was addressed by the bankers to the Chancellor of the Exchequer, and the suggestion was made to him to relax the Scotch law for a time, to enable the other banks to issue the circulation that was lapsed, in consequence of the failure of the two banks, without being obliged to draw gold from London for that purpose.

And the alleviation from any such danger in future would be purchased, taking the most liberal view of the matter, by a permanent loss to Scotland, owing to the suppression of the £1 notes, of £120,000 a year?—I am not sure that the question of cost is the only one in which the people of Scotland feel an interest. I think they have, whether rightly or wrongly, so strong a prejudice in favour of the £1 notes, that they would object to their abolition, even if they were willing to bear the cost.

Mr G. C. GLYN—That would not have satisfied the depositors, would it?—It would not if the depositors had come to demand their deposits, except that so far as there was a substratum of gold it might have diminished the amount of pressure; perhaps the holders of £1 notes, in a time of panic, are the class most likely to run for gold.

Sir J. Graham—Any arrangement which should insure a greater solvency in the paper issue of the bankers of Scotland would not diminish the security of the depositors, surely?—No, and if it should appear from any evidence before the Committee that there is any risk, it would be an argument for a change.

Mr Cayley—There has hitherto been no risk of the convertibility of the note, at least no practical risk?—There has been no practical risk, and I should say that there was hardly any alarm except confined to a very few people, and for a very short time, even in the extraordinary panic which took place in Glasgow in last November.

Banks fail occasionally in England, and alarm arises in England also, although there are no £1 notes; is not that so?—Of course they do; I apprehend that there is no regulation which can be made, affecting either the currency or any other part of the trade of banking, which would be a check upon imprudence.

When alarm once begins which ends in panic, you cannot speculate in any way as to the consequences of it?—No; that is one reason why the banks in Scotland, even those who felt their own position most secure, strengthened their reserves of gold beyond what was actually necessary to meet the increased issue.

If, in consequence of the suggestion of Sir James Graham, there were to be £3,000,000 more gold sent permanently to Scotland, there might be, in a case of pressure, £3,000,000 less gold in England?—Yes, but in these days the supply of gold is so very large that in any country that wanted it there would be no difficulty in getting that additional supply.

If under those circumstances there were £3,000,000 less gold in England, do you think that it would very much help the Bank of England under a pressure, when their want chiefly is gold?—If the Bank of England, from the circumstance of a gold currency being established in Scotland, considered themselves at liberty to reduce their reserves by £3,000,000, I should think that what the Honourable Member states would take place; but I apprehend that the Bank of England would not feel it incumbent upon them to reduce the reserves which they hold at present by that amount, if a gold circulation was established in Scotland.

If, as by a previous supposition, the Bank of England note were made a legal tender in Scotland, there then would be a diminution of the Bank of England reserve, if, under a pressure like that of November, 1857, there were a great demand for it by the Scotch banks?—If the bank of England note were made a legal tender, I doubt whether, even in ordinary times, English notes would circulate to any considerable amount in Scotland; I believe people would always in that case prefer the notes to which they had been long accustomed.

Chairman—The bullion reserve of the Bank of England is now regulated by the Act of 1844, is it not?—Yes.

If Scotland should have a sudden demand for gold, and should draw upon that bullion reserve by sending in notes to the issue department to be turned into gold in the middle of a crisis, it would so operate upon the Bank of England as to produce a deficiency of the same amount of gold in London; but if Scotland, by an Act of Parliament requiring her to fill her £1 note circulation with gold at an ordinary time, were to draw that same amount, it would have no tendency to distress the Bank of England?—No; we consider in Scotland that the introduction of the gold circulation there would not relieve the Bank of England in any way from the obligation under which they lie by the Act of 1844 to keep a reserve of gold precisely to the same amount as they are required at present; there would be an additional cost thrown upon Scotland, and the people of Scotland would say, "We do not see any occasion to incur this cost; if we are quite satisfied, if our confidence in our present circulation is quite unbounded, and we are justified in placing that confidence in it, we do not see any advantage to be gained by imposing upon us a gold circulation, attended with a cost of a very considerable amount to us, and which would not be attended with any benefit to the Bank of England;" because they would say, experience has shown that, except upon the last occasion, any gold which has been required for the internal use of Scotland has been very small indeed in those times of pressure when it was inconvenient for the Bank of England to part with it; I will not allude to the time when, in two periods of the year, they increase their stock of gold for a month or two, because that is generally taken from the nearest branch of the Bank of England, and returned to it in the course of a few weeks.

If the law required the Scotch banks to exchange their £1 notes for gold at a time like the present, when gold is abundant, it would have no tendency to distress the Bank of England?—No, I think not.

The draught for gold at a time like the 12th of November last had that tendency?—Yes; it increased the pressure upon the Bank of England very much on that particular day.

Mr Weguelin—If the circulation of Scotland had been entirely based upon gold in November, 1857, there would still have been a demand for more gold, in consequence of the necessity under which the Scotch banks were of increasing their reserves to meet their deposits?—Probably there would. Supposing the £1 notes had been suppressed previously to the failure of the Western Bank, I do not think that it would have at all prevented that catastrophe from occurring; it was dependent upon other causes beyond the currency. In a case of panic there might have been a demand for a certain quantity of

gold from England, in order to strengthen the reserves of the banks from perhaps an excess of caution and prudence on their part. The supposed suppression of £1 notes would have relieved the Bank of England from the necessity of sending down that large sum which was required to fill up the vacuum in the circulation.

You have given the Committee some information upon the system of cash credits; may I ask what proportion it is considered safe on the part of a bank in Scotland to advance upon cash credits?—I do not know that any banks have fixed a certain proportion; these cash credits are in general granted for sums not of very large amount. I should say the majority of them probably are for sums under £1000 each, and in a large proportion of them the persons in whose favour they are granted do not draw to the full extent of their credit. If it was carried to a very large extent; if there was power to a person to draw upon the bank to a very large amount at any time, it might be inconvenient at times of pressure in Scotland, if the habit grew up of these cash credits being granted for a very large sum and to a very great extent; but I do not believe that they form such a proportion of the general advances of the banks as to expose them to any great risk in consequence.

Are you aware what the amount of cash credits of the Western Bank of Scotland was when it failed?—No, I have no means of knowing; I do not think that the account shows it; they are classed in with other advances. As the cash credits are not for a very large amount, and as a cash credit is granted upon the security of the person who receives it, and also of two other persons whose circumstances are well known to the bank, and who produce, before cash credit can be granted, evidence of their sufficiency, I believe there has been very little loss upon cash accounts in general.

I think that the Western Bank stated that they had about £3,500,000 advanced upon cash credits and local securities at the time when they failed; do you think that a very large amount to be advanced, in proportion to their whole deposits?—That would be independently of commercial bills discounted.

I fancy so; I think that that was what they called local securities?—There were very large advances made, some of which it appears, were secured; others were granted upon nothing but personal security, and upon which there was a very great loss. But I apprehend that those were advances made in some different form than that of cash credit.

Would there not be a great difficulty on the part of the directors to surpervise a system of that kind of open credits?—Must they not necessarily trust very much to their manager as regards the credit of parties to whom these advances are made?—No; in a country such as Scotland, were the circumstances of persons in trade are pretty generally known to bankers, these applications for cash credits are considered by the directors themselves, and they are granted or refused upon their personal knowledge of the sufficiency of the sureties.

They are not granted by the manager without the concurrence of the directors?—No; at least I speak of the practice of the Bank of Scotland. I do not know what may have been done by the Western Bank.

Chairman—All the banks of Scotland are now up to their authorised circulation?—I think they are, without exception, at the present moment.

The reserve, therefore, of notes to which you have referred, is over and above their authorised circulation?—Yes.

It is held in their coffers to be ready when occasion arises?—Yes.

But, being above their authorised circulation, they cannot lawfully issue it without at the same time obtaining gold from England?—No.

You estimate at no less than £3,000,000 the additional sum which would be required to be brought into Scotland in order to represent these reserves, which, though they now exist in the shape of notes, yet only exist potentially, and require to be represented by gold already, as the law now stands, before they can be issued to the public?—That is if they were issued beyond a certain period; but all the banks in Edinburgh upon the days intervening between the exchange days have issued very largely in excess of their authorised circulation; but, provided the average circulation taken upon the Saturday after the exchanges for the four weeks brought them within their authorised circulation, they would not be bound by the Act of 1845 to show any gold for it, although at certain periods during that month on particular days of the week, even in ordinary periods of the year, they might have very greatly exceeded their authorised circulation.

Bearing in mind the rapidity with which, by a bi-weekly exchange, notes return, do you not think that the estimate which you have made is a very large estimate indeed, in order to cover the excess to which you have just adverted?—I think that it would not greatly exceed the stock of notes which the bankers have hitherto been obliged to return; and I give the estimate upon the supposition that they were to keep up a stock of gold at all their branches to meet the possible demands which might be made upon them there.

You have argued upon the assumption that when they were compelled to keep gold which would be an expense to them, they would have as large an amount of sovereigns as they have now of notes, which notes pass for nothing until the time of actual issue; but upon the hypothesis which has been presented to you, the authorized issue is

to remain the same, only the banks are to be limited not to issue below £5; do not you think that a portion of the issue which now takes place in £1 notes would then take place in £5 notes?—That might be true to a certain extent; but if reference is made to the returns of the Bank of England in the year 1825, when the £1 notes were called in, I do not think it will be found that there was any large increase immediately of the £5 note circulation: therefore we may, following that precedent, assume that there would not be any very large increase of the £5 note circulation in Scotland. I think there would be an increase to a certain extent, but that would be a work of time; there would be some change in the habits of the people who deal with banks in the mode in which they would draw their money.

However, the large estimate which you have formed is based upon the consideration that the amount of sovereigns required after the change would be as large as the amount of unemployed notes which the banks have no motive for economising now?—Certainly; I will merely state to the Committee that it appears to me that it is a question not so much for the banks, because they can easily bring themselves round by some small charge on their customers. The question rather is, whether the people of Scotland ought to be called upon to submit to a change in the currency, which certainly would run counter to all their pre-conceived notions; and if I might take the liberty to remind the Committee of the opinion which was expressed by Sir Robert Peel, when he introduced his bill of 1845, what he stated upon the subject of the £1 note currency in Scotland, I can only say that, in a very few words, completely expresses the opinions which I entertained and still retain upon the subject.

Will you be good enough to read what was then stated by Sir Robert Peel?—In the debate of the 25th of April, 1845, with reference to the £1 note circulation, Sir Robert Peel said, "Whether or not the importance attached to the continuance of the privilege (of issuing £1 notes) can be perfectly justified by reason or argument, I know not. Whether there be not an undue value attached to them may be a fair question of doubt; still, in attempting to introduce principles which I believe to be good, I will not attempt to shock even the prejudices of the people, or to run the risk of encountering that opposition which I know I should have to encounter from Scotland almost universally. Without guaranteeing, therefore, the continuance of these notes, all I can say is, that we do not propose to prohibit them at present; I say nothing, however, as to the future. The discretion of Parliament must be left unfettered in respect to them. If the continuance of this privilege affects no interests, if it has no injurious effect upon the circulation either of Scotland or of other parts of the empire, there is no doubt whatever that a future Parliament will entertain the same forbearance, and will not disturb the settled habits of business of a whole country, or run counter to its feelings, for the mere purpose of carrying out some theoretical principle." Those were the opinions expressed by Sir R. Peel in 1845, and to these opinions I adhere.

LAURENCE ROBERTSON, Esq., called in, and examined.

CHAIRMAN—You are cashier of the Royal Bank in Edinburgh?—Yes.

I think you represented that bank in Glasgow for a long period of time?—For nearly 30 years.

And it is only very lately that you have removed to Edinburgh?—Twelve months ago.

The meetings of the directors are held in Edinburgh?—Always in Edinburgh.

Therefore considerable responsibility naturally devolves upon the manager at Glasgow?—Very great.

You remember the commercial crisis which occurred in 1847?—Yes.

Will you be so good as to describe to the Committee the general character of that commercial crisis?—I think the failures in 1847 took their rise in London amongst some of the leading firms trading to the East Indies, the Mauritius, and the West Indies, gradually extending to parties engaged in other branches of business, involving houses in Liverpool, Glasgow, and elsewhere. The failure of the West India merchants being very much owing to the equalization of duties, and withdrawal of protection; their produce in consequence being greatly lessened in value, and their properties abroad reduced to ruinous prices, and rendered unsaleable.

There were great share speculations also at that period, were there not?—Yes; merchants got mixed up with share adventures, which they entered into soon after 1845, and the effects began to tell in 1847, when credit was not so good, and money was much more scarce.

The established banks of Scotland did not afford to the share speculators all the facilities which it was thought at that time desirable to extend to them, and banks were established for that express purpose?—Yes; the advancing on security of railway shares was quite new, and what were called exchange banks or companies were got up for that special department of business.

There was also considerable scarcity both of corn and of cotton at that time?—Yes; the potato disease, I think, was first seen to any extent in 1847, which increased the price of all sorts of grain; cotton, I believe, was also high.

Looking at the state of affairs in 1847, was the commercial crisis in Glasgow traceable to commercial causes, or to any causes connected with banking and the currency?—I think it was an adverse state of trade, and perhaps in some cases a losing trade had been carried on for a period of time. The West India interest in particular had a long period of depression.

Then it is to commercial causes that you ascribe the difficulty which occurred in Glasgow at that time?—Partly railway, but chiefly to commercial causes.

Looking at the state of banking accommodation, was there a deficiency of banking accommodation, do you think?—There was a large demand for money; I dare say most banks had full applications for their funds.

Was there any cause connected with the currency to which you can attribute the mischiefs of that period?—No; I do not think so; every bank which continued trading within its means did not suffer any inconvenience.

With regard to the crisis which took place last year, had there been a great increase in the number of branches in Scotland between 1847 and 1857?—I think there must have been a considerable percentage of increase.

What were the first symptoms of a commercial crisis in Glasgow in the autumn of last year?—Everything seemed to be going on much as usual, until perhaps the beginning of October, when one or two failures occurred in Glasgow; the defaulters had transacted their banking business chiefly, or to a large extent, with one institution, and the accommodation which they seem to have got was far larger than any party had the smallest idea of. One failure and another occurring, and one bank in particular being pretty deeply engaged with these parties, I think it tended to shake the confidence of the public in its stability.

Do you remember the first occurrence which caused alarm; was it the failure of Macdonalds' house?—I think that was the beginning of it.

What was the house of Macdonald?—They employed a great many workpeople in sewing muslin goods for the home trade and for the American market, and they carried this on to a very large extent.

They had been in fair credit, had they not?—Yes; they were in fair credit down to a very short period prior to their failure.

Had there been any change in their mode of business shortly before their failure?—I have been told that they changed their system of doing business in London and in the provinces: from dealing with the wholesale houses, they gave out that they had given that up, and had gone to the smaller dealers, so as to embrace a wider field.

Have you traced any subsequent evil to the circumstances connected with that of supposed change in the mood of their business?—I am afraid they adopted that change with a view of deceiving parties through whom they were in the way of getting facilities, and by originating a system of fictitious bills, holding out such bills as representing genuine business transactions.

What was the nature of these bills which were drawn by Macdonald & Co., and to which you now refer?—They gave them the appearance of having been granted in payment of these muslin goods sold to traders in London and elsewhere, and they had so much the appearance of what are called trade bills, that people were deceived by them.

What were they in reality?—They were worth nothing, it may almost be said; they paid people a commission for giving the use of their names, and these people, I suppose, had nothing to lose when they put their name to bills so easily; so that the one per cent. of commission, which it was said they got, I imagine they considered a very good remuneration.

Do you know at all how many of these people there were?—From reading the proceedings in the bankruptcy courts in London, I have observed the number stated at from 60 to 70, or thereabout.

Do I collect rightly that this is what occurred, that there was first a statement that Macdonald & Co. had changed their mode of business, and were dealing with a much larger number of small houses than heretofore?—Yes.

That concurrently therewith, a number of persons of no means were induced to put their names to fictitious bills for a commision of 1 per cent.?—I have understood so.

And that there was a very considerable number of such persons?—Yes, a large number.

What use was made of those bills when they had been so created?—They were discounted; money was given for them by bankers and bill brokers.

Was any large proportion of them discounted in Glasgow?—Yes, I believe so.

When the Western Bank failed, what was the state of their account with Macdonalds?—I do not know the particulars, but they must have held a large sum of Macdonalds' indorsations under discount, and heavy advances in other forms; I could not specify the exact amount.

Was it measured by hundreds of thousands?—It was said so.

You said that you had gathered your information from the newspapers; do you mean from the reports of proceedings before the tribunals?—Yes; from the reports of proceedings in the bankruptcy courts in London, actions having been raised by the holders of the fictitious bills against the acceptors to enforce payment, and no funds being forthcoming, the cases went into the courts of law.

What was the next great failure after Macdonald's?—I think the next would be that of the firm of Monteith & Co.

What were they?—Calico printers.

Was their credit considered good till nearly the time of their failure?—No, I think not; for a year or two before they had made, it was understood, heavy bad debts, which affected their standing very considerably.

But before that time?—Before that time they were in fair credit.

Were they deeply indebted to the Western Bank?—It was said so.

Then the firm of Wallace & Company failed shortly afterwards, did it not?—Yes.

Were they also indebted to the Western Bank?—I believe so.

What effect had these failures upon the credit of the Western Bank itself?—Depositors became alarmed, and gradually applied for payment of the money which they had lodged in the bank.

How did the shareholders regard it?—The shareholders could not help themselves; the shares of the bank fell in market value, and as time passed on it became difficult to effect a sale. To prevent the excessive fall telling upon the position of the bank, they shut the transfer book of the stock of the bank at the bank office, so that if a shareholder sold shares he could not get them transferred. I believe they did that with the view of keeping a hold on the wealthy partners, so as to secure ultimate payment to all concerned.

The Western Bank applied through the bank of Scotland, we have been told, to the banks generally, and after certain negotiations they obtained aid to the extent of £500,000?—Yes.

That proving inadequate, the banks declined to give them further credit, and on the 9th of November the Western Bank shut their doors?—Yes.

The City of Glasgow Bank also suspended their payments?—They naturally became affected; public confidence was shaken in their position, seeing what had occurred with the Western Bank. Both had been overtrading, and had no reserves to fall back upon in London or elsewhere; in this state of matters, the City of Glasgow Bank had also to apply to the chartered banks for assistance.

Was not there a great meeting held about that time for the purpose of restoring confidence?—Yes.

Do you remember anything about the proceedings of that meeting?—I knew of it from hearing people talk of such a meeting being held; I was in Glasgow at the moment, but took no part in it in any shape.

What was the state of Glasgow at that time with regard to alarm; were people in a state of alarm?—The confidence of people dealing in money was much shaken, not knowing who might be involved as a shareholder in the suspended banks, or as a party having had large accommodation, and with the prospect of being immediately called to repay; altogether, there was great want of confidence for a few weeks.

Amongst the holders of notes, what was the state of things?—The holders of notes of the Western Bank and City Bank showed a great desire to get the notes of any of the other banks in exchange, or payment in gold.

There was a run for gold was there?—Rather so.

Particularly, I dare say, with regard to the notes of these two banks?—Yes.

Not exclusively?—Some people in the panic did not discriminate between the notes of one bank and those of another, and applied to the bank promiscuously for gold.

The alarm spread in some degree to the notes of the other banks?—To a certain extent, and only at the height of the panic.

Was there any distinction between the alarm in regard to the larger notes and the smaller notes?—There is a much larger amount of smaller notes in circulation, so that naturally there would be a larger quantity, not in value, but a larger quantity, perhaps, of 20s notes presented for payment at the banks than of the larger ones, although I dare say it extended in some degree to the whole circulation.

Still, upon the whole, do you draw any distinction between the £5 note and the £1 note?—Just the distinction that, perhaps, the £1 notes were more generally in the hands of smaller people.

Do you mean that they were more likely to be alarmed?—I think there was a greater chance of their coming forward.

Did that alarm extend at all to the depositors?—To a certain extent it did. We had evidence in Glasgow of large sums being demanded as well as small.

Among the depositors was there any distinction?—The small depositors were most urgent.

Did the persons who held large deposits, or the persons who held small deposits, manifest the greatest amount of alarm?—Both classes to a certain extent called up their money.

At that time there was a considerable sum of gold in Scotland, was not there?—Yes; there would be the usual sum to meet the excess of circulation.

The sum required by the Act of 1845?—Yes.

Did you find that sum at all affect the position of things at that time?—The banks were so far comfortable in having so much gold; they had of course to strengthen their hands, seeing it was likely there would be a greater demand upon them than usual.

You mean that in addition to the gold which was then in Scotland, they obtained more gold by the sale of securities in London, or by other means?—By the sale of securities cash in the hands of London agents, or money at call.

What was it which first caused the panic to cease?—When the stoppage of these banks took place, the other banks were not precisely informed of their position, and hesitated a little in taking their notes; after further consideration the other banks resolved to take all the notes as they came forward, and when that was done the thing subsided.

As soon as it became known that the notes of the Western Bank would be received by the general body of banks in Scotland, the panic, with regard to the notes of the Western Bank, came to an end?—Entirely.

After that was there any further panic in respect either to notes or to deposits?—The doors of the two suspended banks were shut both against the note-holders and depositors, so that nothing could be done in respect to either.

Of course, with regard to the deposits of the insolvent banks, there would be the utmost alarm, but I am speaking of that alarm which I understood you to say had extended, to a certain degree, even to the deposits of the other banks?—That very soon subsided.

I understood you to say that the first step towards the panic subsiding, was the determination of the banks generally to take the Western and City Bank notes?—I think so, but no doubt also the public began to reflect that the position of the other banks was different from that of these two establishments.

When that had taken place did the panic, with regard to deposits in the banks which were still open, continue or subside?—It entirely settled; the panic ceased.

Looking to the panic of 1857, what do you consider to have been the principal causes of that panic?—I think it must have been the over-trading of these banks, and giving out very imprudent and large advances to people unworthy of them, and having no means in reserve in London to fall back upon to meet the returned bills of these parties and the extra demands which arise in consequence of the want of confidence.

Are you at all aware whether either of these banks had agents in other countries?—Both of these banks had dealings in New York. I do not know whether the parties were constituted agents for the banks, but both had connections there.

The object being to carry the money of their depositors for profitable investment in the United States?—No, I think it was more of the nature of exchange operations, affording credits to parties in New York to be operated upon by bills drawn on the Western Bank and City Bank, under which, so long as matters went fair, the banks might not require to be much in advance; but a severe monetary crisis occurring in America, remittances latterly were not forthcoming to meet the acceptances of the banks; they had therefore, ultimately, to come under large advances and look for reimbursement to the bills or securities held in New York in connection with the original credits. The two banks were in the habit of accepting four months' inland bills drawn from London, Liverpool, and Glasgow, in respect of these credits, which was quite condemned by the Bank of England and all the other banks in Scotland, the whole business it is supposed having been carried on chiefly for a commission.

You are acquainted with the history of the Western Bank from its commencement?—Yes.

Commencing in 1832, we have been told that it was in distress so early as 1834, and that it received assistance from the other banks, of which your bank was one?—I believe so.

On the terms of expending a large sum of money, with which you furnished them, in investments in securities in London, to constitute a reserve, was that so?—I have no doubt of it, although I was not a party to that transaction, having been in Glasgow; it was arranged at our head office in Edinburgh, and I believe the advance was made.

Are you aware of the circumstances which led to a memorial which we have before us, and which was presented to the Board of Trade in 1838 by the Bank of Scotland and some other banks in reference to the Western Bank?—I forget exactly the terms of that memorial.

You are aware that there was such a memorial?—Being in Glasgow, I had charge of the Glasgow branch only; business of the sort referred to coming before the directors in Edinburgh, I was not a party thereto; it fell to the cashier then in Edinburgh, with the directors, to dispose of the matter.

Speaking from your experience of Glasgow, can you state to the Committee what were the proceedings of the Western Bank between 1834 and 1838, which were contrary to the system approved by the Royal Bank?—I suppose the reflections which may have been made by the other banks would apply to the system on which the Western Bank conducted their business, departing from what we reckoned to be proper rules—giving a higher rate of interest, for instance, to induce depositors to prefer their establishment to that of their neighbours, and continuing to carry on an extensive business without any adequate reserve.

And charging a lower rate of interest, perhaps?—They were not very guilty of that.

Do you know anything of the state in which the Western Bank was in 1847?—I suppose from the system on which they conducted their business of holding no reserves in London, they very probably would be short of means to carry on the large business which they undertook.

It was the impression in Glasgow, was it not, that they were under pressure in 1847? —It was.

Mr Cayley—Do you happen to know what was withdrawn during the late run from the Western Bank, in the shape of deposits? Was there a great amount of deposits withdrawn from the banks generally in Glasgow?—What was drawn from one was just put into another, I suppose, so that it was pretty nearly squared.

How long did this run last?—Only two or three days.

What put a stop to it?—I think chiefly the circumstance of the other banks freely taking the notes of the banks which had stopped.

Their assuming a larger liability gave greater confidence to the public?—I think so.

With regard to the distress generally in Glasgow at the present time, is there much distress and disemployment?—There is a pretty general stagnation in trade, I think, over the whole country; even in Edinburgh we have had to get up small subscriptions for the unemployed workpeople; in Glasgow they have been obliged to do something of the same kind, but not to any alarming extent.

There have been large subscriptions over the country to support disemployed persons? —Considerable; not very large. The depression in trade and the diminished employment is not confined to Glasgow; it is felt in most manufacturing towns.

Does there appear to be anything like a revival of trade at the present moment?—I think, if anything, it seems to be offering to improve.

Do you remember the period which elapsed between the panic of 1847 and the beginning of 1853; whether there was much revival?—In consequence of the potato disease and the large consumption of grain, prices of food were high, which, combined with the loss of capital in 1847 and 1848, had a very depressing influence on trade at that period, and I should say it was towards 1852 or 1853 before any great revival took place.

The City of Glasgow Bank resumed payment very shortly after its suspension, did it not?—Yes, in the course of a month.

Do you attribute the whole of the present stagnation to the stoppage of the Western Bank of Scotland?—No, by no means; it is from the generally depressed state of trade; I do not think the Western Bank has affected the trade of Glasgow in the least; the whole void has been filled up by the other banks. There is not a man in Glasgow who is worthy of credit, just now, who need want whatever money he requires in his business, although the Western Bank is at an end.

Then the present stagnation and paralysis of trade is attributable to what?—To general causes; Manchester is in the same state; there is a great depression of trade there. And if you go to Yorkshire, to all the woollen districts, and to Nottingham, you will find that everywhere there is a general stagnation of trade. That may be very much accounted for, I thould think, by the overtrading which was carried on for the previous two years, which may be inferred from the Board of Trade returns, the amount exported in the course of twelve months having been increased to a very great extent.

Have you any other evidence of the overtrading but the Board of Trade returns?—We think that is a pretty good index.

You think that whenever the exports increase it is a sign of overtrading?—No; but such a large extension excites suspicion.

Take such a place as Birmingham; if there have been no failures there, and apparently no overtrading, how would overtrading cause the great depression in Birmingham?—I think it must suffer also at the present moment, the iron and coal trades being much depressed.

There is a stagnation in the iron trade in Birmingham?—I think so.

But if there is a stagnation in the iron trade in Birmingham, and if no failures have occurred there of banks, or of merchants generally, how would the stagnation in Birmingham be owing to overtrading?—Birmingham may not have been overtrading, but Birmingham must have contributed its share of these large exports; it must have come in for a considerable proportion of the increase.

When you speak of general causes, do you mean by "general causes" overtrading only as the cause of the present stagnation?—Perhaps if we had had a smaller amount of trade for the last two years, we might not have had to fall back so much as we are doing just now.

You stated that there was no connection with the currency in the present stagnation; is that your opinion?—I think so.

What does the currency of this country rest upon?—It rests upon gold, I believe.

Was the Bank of England as well supplied with gold in November as it had been in January?—No; from what I consider an adverse state of exchange, the bullion in the bank was much reduced; the only remedies apparently that could be applied were adopted, viz., raising the rate of discount, and at the same time affording all necessary accommodation for the legitimate wants of trade.

Was not there a great drain of gold from the Bank of England during the early months of the autumn of last year?—There was; but that arose, I think, from an adverse exchange.

Did you ever know an adverse exchange, or any other cause, produce a great drain of bullion upon the Bank of England, without a pressure similar to that which took place

in 1857?—Not quite to the same extent. In 1847 it was pretty nearly the same; the rate of discount was not raised so high; but perhaps by raising it so high upon the late occasion, the difficulty was more speedily got over.

Was not the increase in the rate of discount in 1847 produced by a drain of gold?—I should think so; the drain of gold would be the reason of the raising of the rate of discount in 1847, as well as in 1857.

Mr G. C. Glyn—Can you tell us whether, in making up the returns of coin held by the banks in Scotland, they include that which is held at the branches as well as that which is held at the head office?—I believe the *Gazette* returns show the whole at the head office and at the branches; but the banks only rely upon the amount at the head office.

Mr Blackburn—There was no run upon any of the Glasgow banks previously to the stoppage of the Western Bank, was there?—No.

The Western Bank stopped upon the Monday before the term day, and the run commenced the next day?—Yes.

You were in Glasgow yourself personally at that period?—Yes, I was there almost permanently for three months at that time.

Was there any run for gold upon the Royal Bank?—We had a few demands, like the other chartered banks.

Can you mention the amount, or about the amount?—No, I cannot? we gave some of our neighbours, upon one or two occasions, a share of what gold we had.

Were those parties who drew out gold over the counter in exchange for notes, or by cheques upon their deposits?—It was chiefly in the case of small deposit receipts.

And not for any considerable amount?—No.

Do you think that it exceeded £1000?—It is difficult to fix upon a sum; I never looked at that.

It was not of sufficient importance to call your attention to it?—No.

It was a trifling amount, in fact?—The amount was small.

You mentioned a meeting which had been held at Glasgow; are you aware what the objects of that meeting were?—I think it was chiefly with the view of allaying the public feeling, and instilling confidence into the public mind in the stability of the banks.

Do you think that it tended to restore confidence in any degree?—I think the panic was all over before the meeting was held.

It did not do any harm, at all events?—No.

Mr M. T. Smith—You stated that you did not believe that the City of Glasgow Bank or the Western Bank of Scotland had any recognised agents in New York?—I am not sure of the footing upon which these parties acted for them; I do not know whether they were recognised agents, or merely correspondents.

Have you never seen any acceptances of the City of Glasgow Bank drawn from New York, and bearing on the face of the bill these words, "Agency for the City of Glasgow Bank?"—Yes, I think I have seen such bills.

Then they had recognised agents there?—That certainly is very strong evidence of it.

Will you be kind enough to explain to the Committee the mode in which such agencies were conducted. You stated that bills were drawn upon Liverpool, Manchester, and other places; in what way were those connected with the agency at New York?—I suppose those parties who drew these bills in London and Liverpool would have establishments at New York, and they would get these credits transmitted to them in London and Liverpool by their correspondents, to draw upon the Western Bank and the city banks.

Then the Western Bank and the City of Glasgow Bank were mere drawing posts for these various houses?—It looked very much like that.

What security did they hold for an acceptance, when they gave permission to have their name used and they accepted the bills; what security had they for those bills?—They had to trust to those agents or correspondents in New York holding security for the bills.

Then the agent in New York employed the money which he obtained by the sale of the bill upon the City of Glasgow Bank in the discount of local bills?—I believe so.

And when those matured he reimbursed the City of Glasgow Bank for their credit?—I think so.

JAMES ROBERTSON, Esq., called in, and examined.

Chairman—You are the manager of the Union Bank of Glasgow?—I am.

Before you became so you had considerable experience in the British Linen Company?—Yes, I was nearly twenty years connected with that establishment; fourteen years of that time as inspector of branches, and the latter part of it as manager of the branch at Glasgow.

How long have you been manager of the Union Bank?—Upwards of five years.

Will you state to the Committee what was the course of events in the months of October and November last, in Glasgow?—During the month of October there was a very great gloom in Glasgow, occasioned by the commercial panic in America, Glasgow being intimately connected in trade with America, with New York particularly. Towards the

end of October that feeling was very much increased, from its being well known that the Western Bank was in difficulties, being implicated by recent failures to a very large extent, and that they actually had applied for and obtained assistance from the other banks. That assistance which they got at that time not proving sufficient, they again applied to the banks, and were refused. Then about the 5th or 6th of November there was an attempt at an arrangement between the Western Bank and another bank, so that the business might be carried on; but that was subject to the approval of the Edinburgh banks. They could not carry through the arrangement except the Edinburgh banks approved of it, and entertained the scheme so far. The Western Bank said that if this arrangement was not carried through, they would close their doors on the 9th at two o'clock. It appears that that arrangement was not approved of, as the bank closed on that day at two o'clock.

What was the state of things in Glasgow at the time when the Western Bank closed?—There was an exceedingly gloomy feeling from the commercial crisis, which was much aggravated by the state of matters generally, and the position of the Western Bank. Then on the evening of the 9th of November there was a run upon the savings bank branches of the City of Glasgow Bank.

I believe the Western Bank and the City of Glasgow Bank had establishments open at night for the purpose of receiving the savings of small depositors?—Exactly so. During the evening of the 9th, the Monday, there was a decided demand for gold by the savings bank depositors at the branches of the City Bank. This was after the Western Bank had closed in the afternoon of Monday the 9th. That, of course, showed us what we might expect the next day.

Mr G. C. Glyn—Did the City of Glasgow Bank act as a sort of savings bank there?—Yes.

Mr M. T. Smith—Under Government regulations?—No; it was not a Government savings bank.

Mr. G. C. Glyn—In point of fact, they merely took very small deposits at an hour which was not a usual hour for general business?—Yes; the City Bank opened branches in the evening for the purpose of taking in small deposits from the working classes.

Chairman—What was the state of things on the Tuesday morning?—We now come to the 10th of November.

Tnesday was the 10th?—Yes. On the Tuesday morning, when the doors of the banks were opened, a great number of parties appeared with deposit receipts, demanding gold; in fact, the office of our own establishment was quite filled with parties within a quarter of an hour of the opening of the doors; I think at half-past nine.

You are now speaking of the Union Bank?—I am speaking of most of the banks; I speak of the Union Bank particularly.

Were the Western Bank's notes at that time current, or were they refused?—They were not current, unfortunately.

Was there any deputation from Glasgow to Edinburgh on the subject of the other banks agreeing to take the Western Bank's notes?—This run, as you may call it, or panic, increased so much that the continued refusal of the notes of the Western Bank added very much to the excitement. These people who came for money would not take the notes of any bank; it did not matter what bank it was; they refused everything but gold. We thought that it would allay the excitement if we were to take the Western Bank's notes, there being no danger of ultimate payment, We were so much impressed with that feeling, that two of the banks sent a deputation of their directors to Edinburgh to confer with the managers of the Edinburgh banks on the subject, and to induce them to rescind their order. They failed in that; the notes of the Western Bank were refused the whole day on the Tuesday.

What was the state of the streets of Glasgow at this time?—They were in a very excited state; crowds were walking about, going from one bank to another, to see what was going on; there was an immense crowd of people. The National Security Savings Bank was near our establishment, and the run there was very great indeed.

Mr M. T. Smith—That was a Government bank?—It was. They had no gold; we offered them gold: however, they induced the people there to take notes, and then they went for gold to the banks.

Chairman—That is to say, the National Savings Bank paid in notes, and then the depositors, having received their deposits in notes, went with those notes to the banks that had issued them to demand gold?—Exactly so; we offered them gold I may mention.

When did the City of Glasgow Bank suspend?—The City of Glasgow Bank did not open on Wednesday the 11th. They kept open on Tuesday the 10th, but on the 11th they did not open.

We have been told that there were troops sent for from Edinburgh; was that the case?—There were troops sent for by the authorities; they were afraid of some disturbance.

There was a proclamation also by the magistrates, was there not?—The magistrates issued a proclamation, either on the Tuesday night or on the Wednesday morning, I am not quite sure which, and it was circulated very extensively, advising the people not to press upon the banks for payment, and to take the notes of all banks. The magistrates

held a meeting on the Wednesday morning, and they issued an order to all the rate collectors over the city to take all notes presented to them, which may have had some good effect I dare say; they did all they could to allay the excitement.

Mr G. C Glyn—By "all notes," you mean including the notes of the Western Bank of Scotland?—Yes; and by that time it was announced that the City Bank had suspended.

Chairman—Under the Act of 1845, you were compelled to keep a considerable quantity of gold from the state of your circulation?—Yes.

You had therefore a considerable quantity at that time?—Yes.

Did you obtain more gold from London?—We were under the necessity of having more gold from London.

Did you limit the use of the gold which you had to the payment of notes, or did you use it for all your purposes?—We used it indiscriminately. The fact is, that very few note-holders came forward; it was almost entirely depositors.

What you mean to say is, that you paid away to depositors, without regard at the moment to the circulation, that bullion which under the law you were obliged to hold against the excess of your issues?—Undoubtedly at the moment; but then we knew that we could have got gold from London before the Saturday, when the average of the circulation was made up, and the return of gold given.

So that you would be enabled to comply with the requisitions of the law?—Quite so.

What was the effect in Glasgow when the remittances of gold came; was their arrival known to the public?—It was known; upon two occasions, on the Wednesday and the Thursday mornings, the 11th and 12th, large remittances of gold from London arrived about ten o'clock in the forenoon; it was taken down in waggons to the banks, and escorted by a strong police force, and no doubt excited a great commotion in the town, seeing such immense quantities of gold come.

What was the nature of that excitement; was it of a pleasurable character?—It was such a novelty; in the first place, a large bank stopping payment, and then such quantities of gold coming down from London; it was quite a new thing to the people.

Had it any effect in regard to the panic?—I should think it must have had an effect; the people saw there was gold there to pay them if they wanted it; but by the Thursday morning the panic was entirely allayed; it entirely ceased on the Wednesday afternoon about two o'clock, at half-past two I do not think there were half-a-dozen people in our establishment.

To what do you attribute the cessation of the panic?—I cannot answer that question; whether the people thought better of it I cannot tell.

When was it that it first became known that the other banks would take the Western Bank's notes?—I should like to speak of what I know positively; but I understood that the Edinburgh banks on the Tuesday night, the 10th, had agreed amongst themselves to take the notes of the Western Bank; after having agreed to do so, it was announced to them that the City Bank had then failed; then there was an alteration again, and they resolved to refuse the notes of the Western and of the City Banks; and that was acted upon during the Wednesday by their agents in Glasgow, but not to the full extent as on the Tuesday; they were partially taken.

Had the notes of the Western Bank began to be taken in the course of the Wednesday?—Yes.

And at two o'clock on the Wednesday afternoon you consider that the panic had come to an end?—Quite.

And on the Thursday the government letter was issued?—Yes, I believe so.

You attribute, then, the commercial crisis in Glasgow to the failure of remittances from America, to the alarm excited by the state of affairs in America, to the consequent failure in Glasgow of commercial houses, and last, but not least, to the failure of the Western Bank?—I should scarcely say that there was a commercial crisis in Glasgow; there were no failures of any importance except of those parties who were entirely dependent upon the Western Bank, and who were not in credit. There was no other house which failed, with the exception of Messrs Dennistoun's, whose failure was announced on the Monday morning through the newspapers; that was a cause of alarm, because it was then thought that Glasgow houses would be very deeply implicated with them, which turned out not to be the case.

Notwithstanding the failure of Messrs Dennistoun and these other large houses at that time, you do not consider that the term "commercial crisis" is the best description which could be given of what occurred?—I should scarcely say so; trade was very much deranged, no doubt, but I should scarcely go the length of saying that it was a commercial crisis; there was no house of the slightest importance which failed, with the exception of Messrs Dennistoun's, which was more a London house than a Glasgow one.

There were houses which had failed, with very large engagements, but their credit was not good; that is what you mean?—Yes.

Then by what name would you describe the state of affairs which existed in Glasgow?—Certainly there was an extraordinary bank panic, occasioned by a great variety of circumstances, by the state of matters in New York to begin with, by the failure of

Messrs Dennistoun, and by the enormous losses which it was quite notorious the Western Bank had made from these suspended houses in Glasgow.

Then would you rather call it a bank panic than a commercial crisis?—I should.

Having described the occurrences which took place, will you give to the Committee your opinion with regard to the present state of the law, and to any alterations, if there are any, which you think it would be expedient to make in the law?—I think the law is a very good law, if it is let alone; I mean the Act of 1845.

Sir G. C. Lewis—How much gold did the Union Bank obtain from the Bank of England during the pressure in November last?—In the course of a week we obtained £620,000.

By what means was that supply of gold procured?—By presenting Bank of England notes at the Bank of England.

Did you sell securities?—Yes.

You sold securities, and by the sale of securities you obtained Bank of England notes?—Yes.

Then being possessed of Bank of England notes, you presented them for payment, and obtained gold?—Yes.

Is that the process by which any bank, whether in England or in Scotland, would obtain gold at such a moment?—It was an unprecedented occurrence; it is the only method by which a banker could obtain gold.

Is there any other means by which a bank could obtain a supply of gold?—There is no other means that I am aware of.

Are you aware that a complaint has been made that an undue pressure was put upon the Bank of England at that time by the Scotch banks?—Yes.

Do you conceive that that complaint is well founded?—It must have been exceedingly annoying to them, but how could we help it? We had, as we thought, a sufficient supply of gold for an ordinary demand, but if a rush comes upon any banker, what can he do? he must make use of his reserves and obtain gold.

What you did was to sell securities to obtain Bank of England notes, and to present them for payment?—Yes.

Is not that a process which any private person might resort to?—I presume so.

Does it appear to you that the Bank of England have any right to complain of such a proceeding?—I think they have no right to complain, but they may feel annoyed about it.

What is the capital of the Union Bank?—£2,000,000.

Is the whole capital paid up?—No, half is paid up; £1,000,000 is paid up.

Then the nominal capital is £2,000,000?—Yes.

The shareholders have unlimited liability?—Yes.

What is the number of the shareholders?—I should say, in round numbers, 1300.

Do they comprise persons of all classes and descriptions?—Yes.

How long has the Union Bank been in existence?—The Union Bank, since it assumed that name, has been in existence since 1829, but the Union Bank took up a great number of banks. Some of the banks which now form part of the Union Bank were established so long ago as when the Bank of England was established.

Mr M. T. Smith—The bank of Sir William Forbes?—Of Sir William Forbes & Company, in 1694 and 1695.

Sir G. C. Lewis—Do many of these 1300 shareholders hold shares to a considerable amount?—Yes.

Is there much inequality in the amount of shares held by different shareholders?—Decidedly.

Do these shareholders live in different parts of Scotland?—All over Scotland.

How often do the meetings of the shareholders take place?—Once a year there is a general meeting.

What is the usual attendance at those meetings?—Forty or fifty.

Is there a printed statement of the affairs of the bank laid before the shareholders?—It is read, it has not been printed hitherto.

It is read to about 40 persons?—Yes.

Does it find its way into the newspapers?—It does.

Are those 40 persons usually persons resident in Glasgow, or do persons resident at a distance ever come up?—They are principally resident in Glasgow and the neighbourhood.

Is much information given at these annual meetings to enable the shareholders to judge of the state of the bank?—It has never been complained of by the shareholders that they do not have sufficient information.

Do you think that practically any considerable number of the shareholders have any idea of the state of the bank, or of the way in which it is managed?—I think so; I think that a great number of our shareholders have a very good idea of how matters stand.

Do you think that it would be a correct description of any considerable number of the shareholders of the Union Bank to say that what they wish is to have an investment in which they shall have no more trouble than with an investment in Consols; that it shall be as secure as an investment in Consols, but that they shall give no attention whatever to the affairs of the bank, and be utterly ignorant of its management?—They elect the

directors of the bank, and they therefore have a control, through the directors; if they think that the directors are not attending to their duty, they may appoint other directors; they have that power annually to a certain extent.

Do the majority of the shareholders of the Union Bank practically interfere more with the affairs of the bank than a holder of Consols interferes with the management of the National Debt?—Very little more, I should think.

Yet what they expect to get is an interest for their money about double what they would get in Consols?—Do you ask respecting interest upon deposit money or as shareholders?

I am speaking of shareholders?—They do not get double what they get in Consols.

What is the dividend which they generally get?—It will yield them a little more than 4 per cent.

Is that the annual dividend upon a share?—Not upon an original share, but at the market price of the shares.

What is the interest which the shareholders actually get upon their shares?—I assume that the Union stock is saleable at £100; that you would pay £100 for a share; last year we paid 9 per cent., that is 4½ per cent. for the half year, less income tax.

Of course a person who buys in at the market price will not get 9 per cent. upon his capital?—Certainly not.

But the original proprietors of shares would get 9 per cent.?—Yes.

Mr M. T. Smith—What is the amount of each share?—They are £100 shares, £50 paid.

Sir G. C. Lewis—At the annual meetings of the shareholders are the directors elected?—By the deed of copartnery two directors retire annually, and their places are supplied by new directors.

How many directors are there?—Twelve directors and a manager.

Is the manager a paid officer?—He is.

Then two of the twelve directors go out annually?—Yes.

And their places are supplied by the election of the shareholders at an annual meeting?—Exactly so.

Are those two directors who go out re-eligible?—We have not held so; there was an Act passed, I believe, last year, to authorise directors to be re-eligible, but we have not acted upon that.

Then two directors actually go out every year?—They do.

In what manner is the election of the two directors conducted,—do the other directors propose two names to the shareholders?—They do.

And do the forty or fifty shareholders who attend usually elect those two persons?—The system is, to recommend the names of two directors in the report; that report is read and approved of, or discussed if the shareholders wish to make any alteration.

In fact, do the shareholders generally elect the two persons proposed by the directors?—I have not seen it otherwise.

That hitherto has been the invariable course?—So far as my experience goes.

Has there ever been an instance in which the shareholders have interfered in the management of the bank?—The shareholders sometimes come and ask questions, and I have always been exceedingly ready to answer them, and to give them any information they want.

Has any practical change in the management of the bank ever been made in consequence of a question or suggestion of a shareholder?—No, I do not think so; but we are very glad to get suggestions.

Supposing there were any real defect in the management of the bank, do you think that it would be a safe course for a shareholder to take to bring forward the question publicly at an annual meeting; would not such a course tend to diminish the credit of the bank?—I should say so, certainly.

Would not that probably be the feeling of the other shareholders?—I think if a shareholder looked to his own interest, if he knew anything wrong in the management of the bank, he would go to the manager and the directors, and state what he conceived to be wrong. If it was a very glaring mistake, it would be sure to be corrected.

You think that the general feeling of the proprietary would be to discourage any shareholder from coming forward to state any objection publicly at a meeting?—I should think so.

How often do the meetings of the directors take place?—There is a stated meeting once a week.

Do all the directors attend?—Yes, very punctually.

How long do the meetings usually last?—That depends entirely upon the amount of business before them.

About what time?—Sometimes two hours, sometimes less.

Are all the affairs of the bank brought before the weekly meetings of the directors?—The whole books which give any information are laid upon the table. After the business that we have upon the card is over, the directors very frequently remain for an hour or two hours examining the books. I leave the room.

Then the whole of the twelve directors practically make themselves acquainted with the current business of the bank?—Speaking for my own directors, they do pretty thoroughly.

Do they examine the securities upon which advances are made, and the bills which are discounted?—They do.

They form a judgment as to the character of those securities?—Yes.

Is there any feeling that it is objectionable that persons who are engaged in trade or business should be made acquainted at a board of that sort with the concerns of their neighbours?—I have heard such objections stated, but I have never seen any cause for them.

That is not an objection which you practically recognize?—No.

Is there any distinction in the case of some directors who attend more frequently than others?—Yes, there is no doubt of it; but I should say that the directors attend very punctually with me.

Is there any portion of the directors who are called managing directors, or who have any duties different from the others?—No; they are all alike.

The chairman has no duties different from the others?—No; there is no chairman; they take the chair in rotation.

Will you have the kindness to explain to us what your duties are as manager?—Everything has to be submitted to me, and I have the general superintendence of the whole affair, and more particularly the judging of the securities.

You attend every day at the bank?—I attend regularly every day at the bank. Nearly every bill that is discounted is brought under my observation.

What authority have you to act without the consent of the directors?—By special powers contained in the contract, I conduct the business of the bank in all the departments, reporting to them from time to time what takes place; every week they see the whole proceedings.

Have you an unlimited authority to make advances without the consent of the directors?—If there was anything extraordinary, I would take the directors along with me; I would not presume to make any very large advance without consulting the directors.

But you consider yourself authorised generally to conduct the current business of the bank, keeping the directors informed every week of what you have done?—Entirely.

Mr M. T. Smith—But some of the directors attend every day?—Yes.

Mr G. C. Glyn—You have always the means of consulting some of them if you think it necessary?—Exactly so.

Sir G. C. Lewis—Are you favourable to the principle of joint-stock banks; do you think that, on the whole, they work well?—Until this late calamity they have worked exceedingly well.

What do you consider to be the advantage of joint-stock banks as distinguished from banks with a small number of partners?—In Scotland we have no banks now with a small number of partners.

There is nothing in the law to prevent the existence of such banks?—No. They cannot issue notes.

What do you consider to be the advantage of joint-stock banks over banks with a small number of partners?—So long as unlimited liability exists, the greater the number of partners of a respectable class the more is the security to the public undoubtedly.

Do the public in trusting a joint-stock bank look very much to the unlimited liability of the proprietors?—I have no doubt of it.

And the shareholders are willing to trust the directors with the management of the bank, and to incur the risk of a heavy loss in the event of insolvency, in consideration of the high rate of interest which they get for their money?—In consideration of having a fair dividend.

Is it your opinion that it is the unlimited liability of a large and wealthy proprietary which induces the public to trust the joint-stock banks in Scotland?—I should think that that forms a very material element in their trusting them.

Supposing the law were altered, and a permission were given to a joint-stock bank, upon going through certain formalities, to limit the liability of its shareholders, do you think that the existing banks would be disposed to avail themselves of such a permission?—Certainly not.

If a joint stock bank were established with limited liability, what do you think would be the feeling of the public with regard to it?—I should think that they would have no customers at all in the way of depositors; they would have discount customers, but I do not think they would have depositors.

Your opinion is, that a joint stock bank with limited liability would carry on competition with a joint stock bank with unlimited liability at a great disadvantage?—Unless with their own capital, I do not see where they are to have money to trade upon.

The assumption is, that they would pay up a certain capital, and that beyond that capital they would not be responsible?—Of course they would not be responsible beyond their capital; but their capital would be very soon employed if they carried on a discount business and did not get deposits.

Do you think that in a well-managed bank the business would be carried on by the deposits alone, and that the paid-up capital would be considered merely a reserve fund?—Do you speak now of a limited bank, or of an unlimited bank?

I am speaking of any bank?—That is to say, what reserve should you hold?

Supposing a bank with a certain paid-up capital, if it were properly managed, would not the paid-up capital be considered merely a guarantee fund, and would not the business of the bank be carried on exclusively with the money arising from the deposits?—I do not know that you can draw a line so distinctly as that. You use your deposits and your capital to a certain extent in the general business, in discounting bills, or in advancing upon cash accounts, or in investments in Consols, or in anything of that sort; you do not keep your capital intact, laid aside in any particular way.

If in any bank with limited liability the paid-up capital were lost either wholly or in part, the creditors of the bank would have no security except the deposits?—They could not go against the partners beyond the capital.

Mr Wilson—Could any bank, if they were to conduct their business only upon their own capital, pay a dividend at all commensurate to the dividend usually paid by a bank?—No, I should think not.

You have contrasted a bank of one kind trading upon its own capital with another bank trading upon deposits. It would be quite impossible for a bank trading upon its capital to pay the expenses of its establishment, and to pay any fair dividend to its shareholders?—Quite impossible.

As a question of law, is it not generally understood that the chartered banks of Scotland have limited liability?—It is so understood in some quarters, but I understand quite the contrary. There is a doubt about the Bank of Scotland; the Bank of Scotland is incorporated by Act of Parliament; the others, what they call chartered banks, I understand from very good authority are unlimited.

The Bank of Scotland is believed to be limited?—It is; but there is a doubt about that.

These doubts have arisen only recently; for a long time it was considered that the chartered banks had limited liability?—It was a general opinion that they are limited.

The general impression for many years, until recently, was, that they were banks of limited liability?—Exactly so.

Were there any banks in Scotland in higher credit than those banks?—I should say not.

Or were there any banks which more freely drew to them the deposits of the country?—There were other banks which drew equally with the chartered banks.

There were no banks which drew to them more freely the deposits of the country than those chartered banks?—I should say that some of the joint-stock banks drew as freely the deposits of the country as the Edinburgh banks, in so far as having an equal amount of deposits; probably larger than any of them.

There was no question whatever about the credit of those banks?—Not the slightest.

Therefore, notwithstanding the public believing that they were of limited liability, they nevertheless got a very large amount of deposits?—No doubt of it.

Therefore the question whether a bank will get deposits or not, does not so much depend upon whether it has limited or unlimited liability, as upon whether it stands in high credit or otherwise with the public?—Exactly so.

The Bank of England has a limited liability?—Yes.

Is there not an understanding amongst any of the banks in Scotland, that the individual transactions of customers are not to be known to the directors, but to be conducted entirely by the manager?—I never heard of such a thing.

And such a practice does not prevail?—I merely speak for the British Linen Company and the Union Bank, the two banks with which I have been connected; no such arrangement could possibly have been made.

Then, as far as your knowledge goes, the whole of the directors of the joint-stock banks in Scotland are perfectly cognisant of the state of each individual account in the books of the bank?—The recent occurrences have shown it not to have been so.

There is no understanding to prevent it?—I never heard of such a thing; I cannot fancy it.

Has it not been stated at the public meetings which have taken place that the directors of the Western Bank were not made acquainted with the state of the accounts of those two or three houses to whom you have referred, who were notoriously in bad credit?—I have heard it said so, that they were not acquainted with the actual state of matters.

If it was the practice of the Western Bank of Scotland that the directors should not be made acquainted with the state of its accounts, would you say that that was an exception to the general mode of managing joint-stock banks in Scotland, and not the rule?—If it was so, it was decidedly an exception.

If there was any understanding in the Western Bank that it was inconsistent with the interest of the bank that the directors should interfere with, or have knowledge of, the state of individual accounts, that would be a practice also which would not be in accordance with the practice of the other banks?—Decidedly.

If the two directors going out every year are not re-eligible, you have a constant change of directors?—We have a constant change of directors to that extent.

There are twelve directors I think you say?—Yes.

And two go out every year?—Yes.

And two entirely new ones come in every year?—Yes.

Is it the practice to re-elect the same persons after the lapse of a year?—It is usual to do so.

Then, in point of practice, 14 men would accomplish the whole object?—Yes.

That is to say, two being always out, and 12 always in?—Yes.

Therefore there would not be a continuous infusion of new men, but the 14 men would continually rotate?—It might be so.

Is that the practice?—The practice I should say is rather that the two are re-elected; it is not the invariable rule, but I should rather say that it is the general practice.

CHAIRMAN—It affords the shareholders an opportunity of exercising a will upon the subject?—Exactly so.

Mr WILSON—But the shareholders, I think you say, so far as your knowledge goes, have never elected any other directors than those recommended in the report?—So far as my experience goes.

What is the amount of information given in the report; does it state the extent of the business of the year, or the amount of the business at the time?—Yes; we put in, probably, circulation with deposits; but of course it is a very simple rule to ascertain what is the actual amount of deposits by looking at the *Gazette* return, and deducting the circulation.

The report gives in one sum the liabilities of the bank, including circulation and deposits?—Deposits and circulation are generally given together in one sum.

So that by deducting the circulation you can arrive at the amount of the deposits?—Exactly so.

Do you know whether that element is given in the reports of all the Scotch banks?—I think not.

It is peculiar to the Union Bank, is it?—We have adopted it ever since I have been there, and this year we intend to make a much fuller statement, in consequence of what has happened.

None of the reports, I suppose, give the amount of the different kinds of securities in which the deposits are invested?—No; they are again classed.

What is the extent of the classification?—I am very sorry that I have not a paper with me to show that.

Would the discount of bills of exchange be given as a separate sum?—Bills of exchange, local and country bills, and cash credits, those we would class in one sum; that is to say, would form one item of our assets.

Have you in your possession a copy of your last report?—I am not sure as to that; but I hand in a skeleton statement of assets and liabilities which I shall submit the week after this to the proprietary.

[The Witness handed in the following paper:]

LIABILITIES.	£	ASSETS.	£.
1. Capital paid-up	1,000,000	1. Bills of exchange, local and county bills, and cash credits	
2. Rest, or undivided profits	200,000	2. Bank premises at head-offices and branches	
3. Deposits and notes in circulation		3. Consols and other Government stock	
4. Balances due to banking correspondents		Railway debentures and other securities	
5. Appropriation of year's profits, as stated in report		4. Gold, silver coin, and notes of other banks, and cash balances at call in hands of London bankers	
TOTAL LIABILITIES £		TOTAL ASSETS £	

Have you any objection to state the form of it?—Not the least.

Will you put it in?—I will.

Is the amount of the government securities stated as an item?—It is.

Is there any statement as to the amount of over-due bills or renewed bills?—In the report to which I refer to be submitted to the directors this year, I have taken the opportunity of drawing their attention particularly to the state of our over-due bills; it is not shown exactly by the report what is the amount of them, but I have referred particularly to that subject in the report.

The form of account which you propose does not include that as one of the items?—It does not show it.

When there was a run upon the banks in November last, did it appear to commence with the noteholders or with the depositors?—With the depositors.

Was there any perceptible run for notes?—No; there was a variety of parties, of course, who came in with notes, but the great run was with the depositors.

At the time when the banks refused to take the Western Bank's notes, did the shops in the

town take them; were they current there?—I rather think they were current in many of the shops. I think there were placards up in the windows, that notes were taken there, or something of that sort; they were not refused.

Taking the lower classes of the population of Glasgow, who are the more likely to be influenced by fear and apprehension than any others, would you suppose that they were to a greater extent holders of £1 notes, or small depositors?—I should rather say small depositors.

As a matter of fact, the common people never keep notes by them, do they?—Very few.

At any one particular moment, when apprehension arose, there would be a very small number of notes in the possession of that class of the community?—Very few, I should think.

Those who receive them for wages almost immediately either deposit them in savings banks, or pay their accounts with them to the shopkeepers?—Yes; they do not keep them.

So that they find their way into the hands of dealers almost immediately?—Yes.

Therefore if there was at any moment any danger, or apprehension, or any crisis, you would not apprehend so much danger from discredit on the part of your circulation of notes, as you would on the part of the owners of your small deposits?—No.

Have you ever known any forgery of notes of late years?—We have heard nothing of it for a very long time,

Do you remember how long it is since you heard of a forged note in Scotland?—I cannot say how many years; but it is a great number of years since there has been a case of forgery of which I have heard.

Nothing for the last ten years has come under your notice?—No, I think not.

You have stated that there were three or four houses largely indebted to the Western Bank, but that you did not consider that their failure could be called a commercial crisis, because they were generally considered to be houses who were not in good credit?—Yes.

You have been also asked as to the extent of the interference of shareholders in the management of the bank. Is it consistent with your knowledge whether the extent to which those houses had credit with the Western Bank was generally known?—I imagined it was overstated, because at a time of that sort exaggeration is so much the case.

I refer to some time before the panic?—These houses suspended before the panic.

But before the suspension of those houses, say for the preceding six months, during the time when those large advances were being made, is it your opinion that it was at all suspected that the bank was making such extensive advances to those houses who were not standing in good credit?—For six months before that there was not much said about it. During the month of July preceding I think there was some change in the management. There was an assistant manager appointed, and there was something or other going on which indicated a change; but of that, of course, I cannot speak.

You have stated that you do not consider that the state of circumstances in October or November could at all be described as a commercial crisis in Glasgow; do you consider that the general trade of Scotland was sound?—I do consider that the trade of Scotland was, generally speaking, wonderfully sound.

Apart from the American crisis and the inconvenience which it caused to those houses immediately concerned in the American trade, do you consider that the general trade of Scotland was in a sound state?—I think I may describe it as in a sound state.

Have the subsequent events since the crisis sustained that view?—Yes, because we have had no failures of any firms of any standing.

Have you ever in your experience known a time of such extreme financial pressure accompanied by so little trade derangement or failure?—No; so far as Glasgow is concerned—always excepting Dennistoun's, which was a very large and respectable house—1847 probably was worse for failures.

Dennistoun's was originally a Glasgow house, and is still a Glasgow house, I believe?—It is a Glasgow, Liverpool, and London house.

The embarrassment of Messrs Dennistoun was caused entirely by their American connection?—Yes.

There was no circumstance connected with the stoppage of the banks in Glasgow which in any way aggravated the embarrassment of Messrs Dennistoun & Company?—Messrs Dennistoun failed on the Saturday before the Glasgow banks failed.

Is it consistent with your knowledge that they applied to any of the banks in Glasgow and were refused the accommodation of advances upon any of the securities which they offered?—I know that they did apply, but it was a very limited affair.

To some extent their embarrassment might be said to be caused, or aggravated, by the stoppage of the Borough Bank of Liverpool, inasmuch as they were large shareholders in that bank, which led to the immediate lock up of a large amount of capital, I believe £200,000, which represented the value of their shares in that bank?—Yes.

And by the discredit which naturally attached to the knowledge that they were liable to be called upon for further calls to pay the liabilities of that bank?—Yes.

Apart from that house, the general trade of Glasgow and of Scotland, you say, was sound and prosperous?—It was sound; of course it could not be prosperous; people, by a little patience, got over the panic or crisis, or whatever you may call it; the results have been very trifling, so far as failures are concerned.

Mr M. T. Smith—The engagements of people since have been remarkably well paid, have they not?—They have.

Mr Wilson—You have stated that you think that the Act of 1845 is a very good Act, if left alone?—Yes.

Was there not an opinion amongst the banks in Scotland pretty generally entertained in November last, that some alteration or suspension of the clauses of that Act should be permitted by the Government?—I cannot speak upon that point; I do not know.

With regard to the Act of 1844, was not there a memorial from the Scotch banks, signed by all the principal banks, requesting that the provisions of the Act might be suspended?—I have heard of such a memorial, but I was not a party to it.

You did not sign it?—The bank establishments in Edinburgh may have signed in it, but I did not; I was not aware of it at all.

But the representative of your bank in Edinburgh signed it?—He may have signed it.

Are you aware that it was signed by the chief banks in Edinburgh?—I am.

Are you not aware also that an application was made at the same time that an alteration should be made in the Act of 1845, so far as allowing the banks in Scotland to issue notes against Bank of England notes instead of gold?—I believe that the wish at the time of that memorial was, that the Bank of England note should be made a legal tender in Scotland, but not that we should issue against Bank of England notes.

Was not the object of making the Bank of England notes a legal tender to enable the lapsed circulation of the Western Bank of Scotland, and of the City of Glasgow Bank to be filled up by a representation of Bank of England notes instead of gold?—I am not aware of that; I cannot speak upon that point, not having seen the memorial.

The practice of the Glasgow banks of taking very small deposits, thus constituting themselves what you call savings banks, has been one of rather recent date, has it not?—It has.

Does it prevail to a large extent?—Now, I should say it is given up altogether; I rather think that it has been abandoned since November.

Does the Government Savings Bank keep an account with one of the banks in Glasgow?—Yes.

When it had a run upon it, did it pay the notes of that bank for its deposits?—I rather think that it was the notes of the Commercial Bank with which it paid; I am not quite sure upon that; it was one of the Edinburgh banks.

Mr Cayley—You say that the manager of the Savings Bank contrived to induce the depositors to take notes instead of gold, although gold was asked for; is that a well-authenticated fact?—He had no gold to give them, and they took the notes of other banks, and upon that they went to the banks and got gold.

You have been asked some questions upon the subject of banking; have you given much attention to the two systems, so as to compare them, namely, private and joint-stock banking?—No; I have not directed my attention particularly to that; I am more a practical man than a theorist.

You said that there was no private bank in Scotland; was not Forbes' a private bank?—It was, but the private banks have all ceased to exist long ago.

They have been overridden by the joint-stock banks?—They have formed junctions, and, in fact, have all disappeared.

Then in point of fact, the Scotch seem, after experience of both systems, to have preferred the joint-stock to the private system?—Undoubtedly.

Do you think that any of the objections which have prevailed against joint-stock banks would not equally apply to the private banks; are not private banks very frequently managed by managers as well as joint-stock banks?—Decidedly.

Do you think that it is a necessary consequence that all the partners in a private bank should be experienced and skilful bankers?—The thing has ceased now; there is no private bank in Scotland.

Supposing the case of a very skilful banker having founded a private bank and created a large establishment by his skill and management, do you see any reason why those qualifications should descend to his heir, and it should be well managed after his death?—I cannot follow that at all; if he was a principal man in a private bank, he would take care that it was well managed, either by himself, by other partners, or by a manager.

What security have the public that a private bank keeps a sufficiently large available reserve to meet the immediate claims upon it?—The private banks have ceased in Scotland; I cannot speak upon that point.

Taking the trade of banking generally, should you say that banking, if it was kept to the strict banking principle, was a dangerous undertaking?—No doubt, there is a very great risk in dealing with money, unless it is prudently and cautiously managed.

Mr G. C. Glyn—Will not it depend upon management?—Yes.

Mr Cayley—The trade of a banker consists in taking in one person's money, and lending it to another?—Decidedly.

His capital, or much of his capital, generally speaking, forms a reserve against bad debts?—And the unlimited liability.

But, generally speaking, supposing there was a capital of L.1,000,000, and the deposits were L.4,000,000, there would be an ample security under a good system of banking to provide against bad debts, would there not?—That is to say, that there would be quite enough of profit to pay a good dividend out of L.5,000,000 in that way, and to leave a sufficient sum to meet bad debts; I should say so.

And still to provide for the security of the shareholders?—Yes.

Do you keep any particular proportion of reserve to your outstanding liabilities?—It should be always looked to.

Is there any particular proportion, such as one-fourth or one-fifth?—No, there is no particular proportion; that is a matter of prudence entirely.

In fact, you think that banking, like all other trades, depends upon good management to be successful, and upon bad management to be the reverse?—Unquestionably.

You have been asked with regard to shareholders attending meetings; would you augur from a small number of shareholders attending one of your meetings that it signified confidence in the directors, and in the management?—I should rather imply so. If they had not confidence, they would appear and ask questions, or do something or other.

There is a general feeling on the part of the proprietary that a too inquisitive partner might conduce to the discredit of the bank; is not that so?—I think, unless it was a question which we thought he had no right to put, probably as to the credit of some particular man, which we should not like to explain to anybody who asked, generally speaking, we should give him every information which we thought it necessary for him to have.

It forms no part of the privilege of a shareholder of a bank to examine the register of customers?—We supply him with a list of the shareholders; they all get a list of the shareholders, which we print and circulate.

I am now speaking of the accounts of the customers of the bank?—That is the duty of the directors.

Mr Fergus—You would not allow any shareholder to inspect the account of a customer?—Certainly not.

Mr G. C. Glyn—I understood you to say that if any shareholder came to you for information between the periods of your half-yearly or your annual meetings, you never refused to give him the information which he required?—Certainly not.

Mr Cayley—If it was legitimate information?—Certainly.

Would you say that one special cause of exciting a run might be that of a dissatisfied customer not receiving the accommodation which he required?—It might be very likely.

And the system depending very much upon confidence, that sort of circumstance might materially affect the prosperity of the bank?—The banks entirely depend upon confidence.

You say that the state of trade was sound during the year 1857; was it prosperous during the years 1856 and 1857, under the high rate of discount which then prevailed?—In 1856 and 1857 it was prosperous.

What is the state of the operatives now in Glasgow; is there much disemployment?—Since I have been in town I have had a conversation with the Lord Provost upon the subject, and he says that although they have been employing the poor during the winter, they are now entirely off the list. They relieved about 5,000 men, and about 2,000 they kept on for several months at different employments, breaking stones, and weaving, but they have now got quit of those, and I believe they are nearly all employed.

Is that from a revival of trade?—Partly from a revival of trade, and partly from the agricultural operations; they are employed in field operations by the farmers.

What effect had the Government letter upon the state of feeling in Glasgow?—It had a great effect in the Exchange-room where the merchants were; they were all pleased of course with it; they thought that it would alter the state of matters, and that the rate of interest would very soon be reduced.

There was a very high rate of interest?—The Bank of England was then charging 10 per cent.

Were the Scotch banks charging the same?—They were charging from 8 to 10 per cent.

Do you find that the dividends of the banks generally are proportioned to the rate of discount?—It depends very much upon the rate which we allow on deposits; the difference between the deposit rate which we allow and what we charge upon the advances.

Was the system in Scotland the same as that in London, of allowing a very high rate of interest upon deposits?—No; we never exceeded 4 per cent.

With regard to the gold which was taken away for your notes, was it very soon brought back?—It was.

They did not lose any confidence in the note circulation?—Not the slightest.

Do you think the smaller note circulation, that below £5, advantageous to Scotland?—It is a very easy and cheap circulation; it has been a long time in existence, and the people are quite satisfied and pleased with it.

And you found no inconvenience from it during the run?—Not the least. No doubt people exchanged £1 notes for gold, but it was to a very limited extent in comparison with depositors.

Would you call the trade of Glasgow now prosperous or profitable?—I should scarcely venture an opinion upon that subject; I know that in some particular branches of trade it is prosperous.

There is no stagnation in Glasgow now?—There is exceedingly little business going on.

You have stated that you see no objection to the Act of 1845?—No.

Has the Union Bank any branches?—Yes.

A large number of branches?—A large number of branches.

Under the Act of 1845 no banks of issue can be established now in Scotland beyond the present number of banks?—None.

That Act, in fact, gave the existing banks a monopoly of the circulation?—No doubt.

Mr Fergus—You have been asked whether the gold returned rapidly to you after the 11th of November, when the run ceased. At the period of the return of your circulation on the 14th, had you a large surplus of gold over what you were required to hold as against the excess of your circulation?—Yes.

How much gold did you send to London during the week after the panic?—£220,000.

In your replies to Sir George Lewis, you stated that you considered that now a bank of limited liability would not be able to compete with a bank of unlimited liability now existing, for deposits?—Yes.

The chartered banks, with regard to which you gave an opinion, true or untrue, that they were banks of limited liability, are banks of very old existence in Scotland, are they not?—Three of them are of very old existence.

They were banks which existed at a time when there was no competition of other joint-stock banks with them?—For a great number of years they had no competitors.

Mr G. C. Glyn—And had they a very large paid-up capital?—No; the British Linen Company Bank had only a paid up capital of £500,000 until within the last few years; it then doubled its capital; I should say within the last four or five years. The Commercial Bank at this moment has only £600,000 capital paid up.

Mr Fergus—Was the run upon the Western Bank, so far as you know, caused by a run for notes or for deposits?—There was no run upon the Western Bank.

Why did they shut their door?—There was a decided withdrawal of money, but it did not amount to a run. I speak of the Monday, in fact, of the previous week; but more especially the Monday, the day upon which they closed; there was no run upon them.

Mr G. C. Glyn—It was a general withdrawal of confidence?—A general withdrawal of confidence, and a taking away of deposits.

That withdrawal of confidence was shown in the parties taking away their deposits?—Yes.

Mr Fergus—You have stated that the Western Bank and the City of Glasgow Bank, the two banks which suspended payment, had separate establishments for the receiving of what were called savings, or small deposits?—That was in connection with the branches which they had in the different parts of the city.

Were they separate offices?—They were not separate offices.

Mr Hope Johnstone—The amount of deposits in the banks in Scotland has very much increased of late years, has it not?—It has a tendency to increase.

And it has increased largely?—It has.

Do you think that since the impression has gained ground that the old banks are banking with an unlimited liability, it has had a tendency to increase the amount of deposits?—I have no doubt that latterly these banks have got large amounts of deposit, but other banks have also got large amounts of deposit.

I am not putting the question as between different banks, but I am putting it with regard to the effect which that impression of the unlimited liability has had on the minds of persons wishing to deposit?—I do not know how that question stands with the public exactly, whether they think the liability is limited or unlimited; but I have no doubt, as I have already stated, that a bank of unlimited liability would be in better favour with the public than a limited bank.

The increased amount of deposits has enabled the banks to pay much larger dividends to the shareholders, has it not?—They have increased something, but the dividends are not excessive

in any case. The bank with which you, I believe, are connected is the highest paying bank, namely, the Commercial Bank of Scotland.

The dividends now are considerably higher than they were, say ten years ago?—There are two or three of them a little higher, probably 2 per cent. or 3 per cent. higher.

The dividends being, I think, in the case of the Union Bank, 9 per cent?—Yes.

They have increased by fully one-third since that time?—I have not statistics so as to know exactly; it was an 8 per cent. dividend for several years; it stood at 8 per cent. for a very considerable time, but the increase of business has warranted the directors in declaring a 9 per cent. dividend.

CHAIRMAN—What I understand by that is this, your capital is a nominal capital of L.2,000,000, the paid-up capital being L.1,000,000, and you pay 9 per cent. upon the L.1,000,000?—Yes.

Sir G. C. LEWIS—Were you ever manager of any other bank?—I was manager at the British Linen Company Branch Bank in Glasgow for about six years.

Were you conversant with the management of the British Linen Company?—I was not conversant with the management of the head office; I was manager of the branch department.

The head office is in Edinburgh, is it not?—It is.

Do you happen to know whether the directors attend weekly to the business of the bank, so that the whole of them are cognisant of the concerns of the bank?—I should say so, generally, from my previous knowledge. I was about 13 or 14 years at the head office, in Edinburgh, and had an opportunity of knowing what went on.

Is it the general rule in Scotland for all the directors of a joint-stock bank to attend weekly and to make themselves acquainted with its concerns?—I should say so.

They do not delegate their duties to a portion of the directors?—No; sometimes a sub-committee may be appointed for a particular business, but that is not the general rule.

And they keep such an inspection over the weekly management of the manager as to be an effectual control over his proceedings?—I should say so, generally speaking.

You would not say, so far as you know, that in any of the joint-stock banks in Scotland the directors place a blind confidence in the manager?—In the case of the Western Bank it appears to have been so; speaking from experience, I should say, so far as I am concerned, it is not so.

That is the only Scotch bank in which such was the case, to your knowledge?—To my knowledge.

What the shareholders of a joint-stock bank really wish is this, is it not, that they should have the high profits of banking without trouble and without risk?—I think it would frighten them if you were to give too high a dividend; I do not think they would look for a very high dividend.

Do you not consider 9 per cent. a somewhat high dividend?—No, I do not think it is.

Do not, in fact, the shareholders in a joint-stock bank expect that their investments should give them no more trouble, and do not they hope that it should create no more risk than an investment in consols, but nevertheless that they should have a higher rate of interest than consols would give?—Of course they do not expect any risk or any trouble by it; when they buy shares they do not anticipate that they are to have any trouble about it; but the dividends in the Scotch banks, ranging from 6 to 10 per cent., cannot surely be considered excessive. Some of the joint-stock banks in London pay 22½ per cent.; the Bank of England pays 10½.

Is there a distinction in the Union Bank between deposits bearing interest and deposits not bearing interest?—No.

Then all deposits bear interest?—All deposits bear interest; but they are divided into what you would call here money lodged upon an open drawing account, and the other description, which is the general description in the country among the poorer class of of people, namely, what we call a deposit receipt, which is generally lodged for six, eight, or twelve months, and then they get their interest upon it, and renew the deposit receipt.

Is any notice required for drawing out the money on a deposit receipt?—No; it is entirely at call.

Both classes are at call?—They are.

Mr WILSON—All the deposit receipts are at call?—Yes.

When you speak of six or twelve months, those are only the periods when they are renewed?—Generally speaking, people about the term time, that is at Martinmas and Whitsuntide, renew their receipts; they take the interest, and add a little or draw a few pounds.

Mr G. C. GLYN—Do you credit them with the interest at that time?—No; the parties must produce the receipt before we pay them; they bring the receipt and they add a few pounds to it, which is a very common way, and we cancel the old receipt, and give them a new one.

Sir G. C. LEWIS—Do any of the Scotch banks require notice for any of their deposits?

—There is one bank which has adopted the system lately of giving ½ per cent. higher upon a month's notice, but that has not been adopted by the other banks.

Then the general practice is, that all deposits are at call?—Certainly, with that single exception.

Mr Puller—Do you consider that the power of issuing notes which is given to the Scotch banks under the Act of 1845 is of any great value and advantage to them?—I should say it is more a question for the public than for the banks.

Has the Union Bank, with which you are connected, any considerable number of branches? Yes, I have already stated so.

How many?—Upwards of 90.

Do those extend into very small towns or villages?—They do.

About what would be the population of the smallest town in which there is a branch bank?—We have a branch bank where you may say there is no town at all; there are only a church and two or three houses; but there is a rich district round them; I refer to Aberdeenshire; I should say that that is the very smallest which we have in point of population.

Is that the branch of the least importance to which you would refer?—No; it is very far from being of the least importance.

Take the branch of the least importance; will you pick out the branch which you would consider the smallest affair altogether, and state in what sort of place or district it is situated? —The least important of our branches is in a village in an agricultural district.

What sort of sized village would that be?—There may be 800 or 1000 inhabitants, or something of that number.

Would there be any other branches of other banks in that same place?—Unfortunately it so happens that there has hitherto been that sort of competition, but I think that is put an end to very much.

By the late transactions?—I think so.

Hitherto the other great banks have had their branches also in most of these villages and towns?—Yes.

Mr Hope Johnstone—The Western Bank fostered bad competition considerably, I believe? —A good deal.

Mr Puller—What class of persons have been the managers of these small branches?—We just look round, and get the most intelligent man who will undertake it; sometimes, in a small town, you will have a shopkeeper.

Then the smaller branches have not been carried on by persons whose time has been devoted to it exclusively?—Not many, because we could not remunerate them sufficiently.

But they have been persons who have carried on business of their own at the same time?—Yes.

Do you consider that any great advantage has accrued to the public generally from the multiplication of these small branches?—I should say decidedly.

What sort of advantage?—I think that it has given them habits of economising, and making a little money, which otherwise never would have been thought of. If they have a bank near them, if they had L.5 or L.10 they will lodge it in the bank, and they are quite proud of having a little money, and, as that feeling is engendered, they go on adding to it; in that point of view, I think it has done a great deal of good.

Do you think that it has done more in that way than Government savings banks have done?—Probably if savings banks had been established in the same places they would have produced the same result.

Do you wish to confine your observation to that result, or is there any other advantage arising from this multiplication of branch banks?—I think that, besides the advantage of its inducing habits of saving and of thrift, for which the Scotch people are so well known, it prevents robberies, because nobody now-a-days thinks of keeping money in his house.

Chairman—Have you any minimum limit for deposits?—Generally not below L.10, but in some very special case we might take L.5; L.10, I should say, is about the limit.

Mr Puller—Do you consider that there is any real advantage to the public from having a circulation of L 1 notes?—It is an economy to them.

Is there any other advantage?—I cannot say; they have never found fault with it; they prefer it to sovereigns generally speaking.

Supposing L 1 notes were abolished, it would have the effect of closing many of the small branches, would it not?—Undoubtedly.

Which you do not seem to think would be any very great evil?—So far as regards the banks themselves, we have too many of them.

I presume that the abolition of £1 notes would close the branches, because you would be obliged to keep at each of the branch banks a reserve of gold?—We should.

And the expense would swallow up the profit?—No doubt it would.

At present you keep a very small reserve of gold indeed at the branches?—Very small indeed.

You meet the claims upon the branches by your own £1 notes, which cost you nothing?—By the general issue of our notes of all values, the cost of which forms a part of our expenses.

Mr G. C. Glyn—You are receivers of the notes of the banks generally at the branches, rather than issuers?—No, we are both.

But upon the balance, I understand that you rather receive notes than otherwise at your branches?—We receive gold; we rather accumulate gold at the branches.

Mr Puller—Have the managers of these small branches any authority to make advances to the farmers and tradesmen in the neighbourhood without consulting you first?—They are authorised to a certain extent to make small advances, but they have no authority to grant cash credits or to make any permanent advance; it is merely small bills, where they are quite sure that the thing is safe.

Before a cash credit was opened they would consult you?—Cash credits are granted at the head office entirely, but we always instruct the branch managers not to run the least risk in making advances.

How do you account for the accumulation of gold at the branch banks?—I think that anybody who has gold, and goes into the country, exchanges it for notes.

And the gold is then sent up from the branches to the head office?—Yes.

In the return which you make to the Government of the quantity of gold held, do you include all the gold which is held at the different branches, or do you return only that which is held at the head office?—That at the head office and at the branches.

You have told us about the management of the joint-stock banks, that there is a list of shareholders, which any shareholder may have at any time?—Yes.

Which is corrected, I presume, from time to time?—Yes.

Is that list published in the newspapers?—It is.

How often?—Once a year, by Act of Parliament, we are obliged to publish it.

Supposing any wealthy shareholder were in the interval between one publication and another to sell all his shares, would that fact be known to the public?—No.

Then the public might get the published list of shareholders, and find in it the names of many wealthy men; and if the bank were to break before the next publication, they might find that all those wealthy men had sold their shares?—Undoubtedly; but there is three years' liability.

How far would that liability extend; would it extend to any transactions which had taken place since they had sold their shares?—As I understand the law, they are liable for three years. In the first place, parties would be liable who were actually shareholders at the time; then, if they were not sufficient to meet the liabilities of the bank, they would go back to the parties who had sold out during the three years.

Would that liability extend to all the liabilities of the bank, at the time when it failed, or would it extend only to those liabilities which were in existence at the time when those shareholders had sold out?—That is a point on which I should not like to venture an opinion.

What is the salary of a director in the Union Bank?—It is a mere trifle; we divide £500 a year amongst twelve directors.

Is the account which you have given of the manner in which the Union Bank is managed applicable, generally speaking, to the other great joint-stock banks?—I should say so.

They are managed much in the same way?—Yes.

The directors attend all of them once a week, and some every day?—Yes.

With respect to the form of report which is made once a year, I think you have told us that you intend to give the shareholders this year a fuller report of the state of the affairs of the bank than you have been accustomed to do in former years?—That is our intention at present.

Is there any reason for that?—I think that our proprietors, after what occurred in November, and the sort of want of confidence which existed then, would like to know something more than what they have been quite satisfied with hitherto, and we have no objection to give that additional information.

You see no objection to that being done every year, I presume?—I see no objection to it.

Do you think that that report will give them any real information as to the state of the bank?—It will give figures, for the accuracy of which the directors hold themselves responsible.

Assuming that there was anything wrong in the state of your bank, which I presume there is not, would the report which you propose to give the shareholders enable them to find it out, or put them upon the scent, as it were?—I should say not; I do not see how, unless you referred to any particular case, you could do so in any report which was drawn up.

Supposing you were consulted by the government, and asked to frame a form of report, to be published yearly or half-yearly by the joint-stock banks, for the purpose of forming a check upon mismanagement by the directors, do you think that you could frame such a form?—No, I do not think it would be possible to do so; I should have to go into every account in detail.

Is there any audit of the affairs of your bank?—No.

Is there any audit of the joint-stock banks in Scotland?—No.

Do you think that any audit by auditors chosen by the shareholders would be of any value as a check upon mismanagement?—No, I think not; it would be such a tedious and continuous thing that I scarcely see how they are to do it. They must value every security; they must be conversant with every bill and every security held.

Supposing the affairs of the Western Bank had been audited half-yearly by an auditor chosen, either by the shareholders or by the government, or by a committee of all the banks acting together, would not such an audit have been a check upon the mismanagement which must have existed for some time past in the Western Bank?—I should say so, if it had been properly gone into; if the auditor had had powers to examine the whole securities, and had had a knowledge of them.

Would not a person specially chosen for that purpose be able to discover in a very short time whether there was any great mismanagement going on in the bank?—He should be able to do it, or he should not be appointed to the office.

There is no great difficulty?—There is no great difficulty.

Supposing you were appointed auditor to audit the affairs of any bank once a year, would you not be able to discover whether they were investing the money of the bank in securities which were not proper banking securities?—That might be so; but then again I might not be able to say whether all the securities were good or not.

Supposing such an audit took place, would you not consider it your duty to draw the attention of the other banks and of the public to that fact?—Of course that would be regulated by the terms of my appointment.

Mr Fergus—In point of fact, would not an auditor, in order to make a proper and trustworthy report, require a local knowledge of the value of the different securities which the bank held?—Most decidedly; he would be of no use otherwise; he would by and by almost become an officer of the bank; he could not do it otherwise. No man could go into a bank for two or three weeks, and say that he could audit the whole affairs of the bank.

Then no government officer appointed to audit the affairs of a joint-stock bank, without local knowledge, could do more than say, this bank has such a sum of money in such a description of security, and so much in another description of security; he could not say to the public or to the shareholders whether those securities were really good and valid, or not?—Exactly so; it would be almost impossible.

Mr Puller—Do you think that it would be impossible for the government to find a proper person who had local knowledge?—No, I do not say that it would be impossible for the government to find such a person.

How many joint-stock banks are there in Scotland altogether?—Fifteen altogether.

Is it not for the interest of all of them that every bank should be conducted on sound principles?—Decidedly.

Supposing that they were to appoint one or more auditors, jointly, to audit the affairs of all, would not that be a great security to all of them against mismanagement on the part of any one?—I do not think so; I do not think that you could get a man who would be qualified to judge of the whole of the securities of Edinburgh and Glasgow banks and branches.

Under the existing law, you are bound to hold at the head office an amount of gold equal to the notes which you issue beyond the authorized limit?—Yes.

It appears by what you have told us, that during the late panic you paid away that gold to your depositors?—We paid away part of it, but we were instantly supplied from London; and by the Saturday, when we had to make our return, we were quite in a position to make a conscientious and true return that we had that surplus gold.

You do not consider that, under the Act of 1845, that gold is especially appropriated as a security to the noteholders?—It should be so.

What do you mean by "it should be so?"—By the Act it is against circulation beyond our authorized amount.

It is equal in quantity to the extra circulation?—Yes.

But there are no words in the Act which give the noteholders any hold upon that gold?—Not the least.

And therefore you do not consider yourselves bound by law to keep it for them?—At all events, you cannot help yourself. If a thing of this kind does occur, you must use what gold you have, and get a further supply.

If you thought that the noteholders had a hold upon it, you would not, I presume, pay it away to other people?—We should not do so.

Does it seem to you that there is any sense in an Act of Parliament which provides that you shall hold a quantity of gold exactly equal to a specific quantity of notes, if there is no other connection between these two things; if that gold is no security for the notes?—It is a great point to have a certain amount of gold to be able to pay your note, which you issue payable on demand; it is a circulation so far based upon gold.

But if you are liable to pay that gold away to depositors, if you had happened to break before your gold came from London, your noteholders would have been in no better position than your depositors?—Exactly so.

CHAIRMAN—But the quantity of gold which you happened to have was in compliance with the requirements of the Act of 1845?—Yes.

And the having that gold was a great convenience in the position in which you found yourselves at that moment?—Exactly so.

And the law was so elastic, that by the telegraph, or by the post, you were able to make communications to London to have more gold sent down, and by the end of the week you were able to bring yourselves within the provisions of the Act?—Yes.

Sir JAMES GRAHAM—And at the end of a week you sent to London £200,000 in gold?—L.220,000.

Mr G. C. GLYN—Are you obliged by law to put up a list of your shareholders in the public office?—No; we are obliged to publish them in one Edinburgh paper each year.

And that is the only publication which you make?—That is the only requirement of the Act.

You are not obliged by the law to make any other publication?—No.

Mr CAYLEY—Supposing that the law had obliged you to reserve all the gold which you had against your circulation exclusively, and that the run had been so sudden upon your deposits that you had had no time to get the gold down from London, and that you had suspended payment, and that a commercial crisis had arisen in consequence, and a run upon other banks, do you think that that would have been a satisfactory working of a law?—We should have taken our chance of that.

You acted upon the principle that the safety of the public was the first law?—Yes, and of ourselves; it was safety to all.

Should you say that the working of the present system of banking and currency rests very much upon public confidence?—A great deal, I should say.

Do you think, after the questions which have been put to you, that the public would do just as well without banks as with them?—I should say not; I think banks are necessary.

If they are necessary to the existence of trade in its present shape, would you consider it a prudent or a beneficial thing to discredit them?—Certainly not; if you discredit a bank, it ought to be for some good reason.

There will always be good banks and bad banks, as there will be good merchants and bad merchants, and good men and bad men, will there not?—All banks should be good.

Equally, all men should be good; the abuse, then, of any institution is no argument against the use of it?—No.

Sir JAMES GRAHAM—Do you allow the same rate of interest upon open credit accounts as you do upon deposit accounts for a term?—We do.

And the interest upon both is calculated day by day?—Yes.

There is no difference in that rate of interest?—I have explained to the Committee that one bank has endeavoured to make an alteration so far as to allow ½ per cent. more, upon a month's notice.

If a weaver or a ploughman has £10 upon an open account or £10 upon a deposit receipt, you allow him the same rate of interest day by day?—Yes.

Therefore to the poorest man upon the small deposit of his thrifty earnings you allow as much as to your most wealthy depositor?—Yes.

Mr WILSON—You said that notes were more a question of advantage to the public than to the banks; may I ask in what light you gave that answer?—If you do away with £1 notes, of course bank proprietors must have a certain return for their capital; we should be induced to do away with this interest to these poor men; probably, instead of giving them 2 per cent. as now, we should only give them 1 per cent., or none at all. We must be paid, if banks are to exist.

Then what you meant was that the profit derived by the banks from their issue of notes enabled them to do their business for their customers upon better terms, and that, indirectly, the public at large obtained the advantage of the profit of the notes?—I should say so.

That was your meaning?—Yes.

With regard to the establishment of branches, you have stated that you thought that the

only advantage of branches was for the purpose of collecting deposits, and inducing the habit of saving on the part of the public at large?—Yes.

Is not there also an advantage which they offer, in enabling you, through these deposits, to make local advances to a moderate and proper extent to those who require them in those localities, who would not otherwise have an opportunity of obtaining them?—The cash credit system has long prevailed in Scotland; it is not so prevalent now as it was at one date; but going back 30 or 40 years ago, there is no doubt that that cash credit system was of immense advantage to Scotland. If a man takes a new lease, or takes a farm, by getting a cash credit through the instrumentality of two friends, he has a ready way of raising capital. If he does not require it, he does not pay interest for it, but he has this money at his command for his improvements or for anything else.

Independently of cash credits, is it not a practice at these branches for the commercial bills drawn in the neighbourhood to be discounted?—At some of the branches, but at a great number of them there is no mercantile business going on, and any bill discounted is purely an accommodation bill; they do not hesitate to say, 'We want a little accommodation,' L.20, L.30, or L.40, but there are no commercial bills at the great bulk of these branches.

When you make that observation you refer only to the smallest branches?—To the smallest of them, which are merely in agricultural districts.

You have branches in all the small towns where there are shopkeepers?—Yes.

Is it not the practice in those small towns where there are shopkeepers, that the bills which those shopkeepers give for the goods which they purchase are made payable at their own shops, and discounted at the branch banks of those towns where they live?—It is rather for what they sell, if they discount a bill.

Is it not customary for commercial travellers who go through the country, and who supply those shops, to receive payment of their accounts in small bills of exchange at three or four months?—Yes.

And those bills are discounted at those branches in the different towns?—Yes.

Is not that almost the universal mode in which the local trade of Scotland is carried on?—Yes; these commercial travellers have their bills discounted at the branches, and instead of carrying cash about with them, they instantly buy a credit upon the place where their employers are, and remit the money to them.

If they receive money in payment for their accounts they take the money to the branch bank, and receive a credit upon Glasgow or Edinburgh, where the establishment has its head office?—Yes.

And if they receive bills they equally discount those bills upon the spot, and those bills are presented at the shops of the shopkeepers when they become due, and are paid?—Exactly so.

Therefore, these branches are not only a means of collecting and economising all the spare money of the country, but of applying that money immediately and on the spot for the trade of the district?—Decidedly.

Therefore, the advantage of the branches is not confined to the collection of deposits merely?—Not entirely.

So far as the deposits which are collected in branches exceed the requirements of the districts, they immediately become a means by which the head bank in Glasgow or in Edinburgh has in its power a large amount of capital, with which it can discount the bills of the large manufacturers and owners of mines in those districts?—Just so.

Therefore, the existence of these branches is in point of fact a means by which, to the greatest possible extent, the capital of the country is economised and turned to profitable purposes?—Yes, they are feeders for the head offices.

It is a means of employing unemployed capital, and distributing it for useful purposes?—Yes.

The profits which the banks derive from those branches is the difference between what they pay to a depositor for the use of the money on the one hand, and on the other what they receive for its advance?—Exactly so.

Would not that under any circumstances constitute a profit, irrespectively of what the urrency might be, which would induce banks still to have those branches?—Then of course the expense would be larger.

Would not that resolve itself into a lower rate of interest which you would be able to give to the depositor?—Yes.

That would be one of the ways in which the absence of a paper circulation would be disadvantageous to the public at large; you would be obliged to give a lower rate of interest if you had gold to keep in those branches instead of notes?—I should say so, decidedly: it follows.

Therefore, it would not put an end to the system, but it would diminish the profit to the bank, or the advantage to the public?—Yes.

You have been asked with regard to auditors; would any auditor be of any value in a bank unless he possessed a knowledge equal to, or greater than that of the directors or managers of the concerns of the bank itself?—I should say not; he might report that the system of book-keeping was right, but what could be the value of his report as to good securities?

He could make a perfectly accurate account as to all the arithmetic of the bank?—Exactly so.

He could say that the balances were all right as they appeared upon the face of the ledger?—Yes; and he could compare the entries with the vouchers.

Or, he could say that the amount of securities was right as compared with the cases of the cashier?—Yes.

But he could not form any judgment, unless he possessed knowledge far beyond that which an auditor is generally supposed to possess of the real position of the bank?—That is my opinion.

Sir James Graham—The balance sheet must depend upon whether bad debts are written off, or are retained to credit as assets?—Exactly so.

That depends upon an intimate knowledge of the validity of the particular security?—He must have a very intimate knowledge of the particular security: I should say it would be almost impossible.

Mr Wilson—Nor could an auditor tell what amount of the bills in the case had been renewed or had not been renewed?—No, he could not, unless he went back upon the books; the thing would be almost impossible I should say.

In a case where a bank had parted with a large amount of bills, either to their customers in circulation under their indorsement or by having re-discounted them in London, he could not, without a knowledge of the quality of the obligations of the bank arising in that way, tell anything about the real condition of the bank?—If there were proper entries in the books, he would of course see that the bills were parted with.

Not having the bills before him, he would not know anything of the quality of the bills?—No; he might see a list of the bills, but he could not see the bills themselves.

Unless he saw the bills themselves, and could see who were the drawers, acceptors, and indorsers, and unless he had a knowledge of their credit personally, he would be unable to say anything about what the result might be?—I should say that it would be a very imperfect andit.

Then, in point of fact, your opinion is, that an auditor could do no more than state whether a statement of account was correct as it appeared upon the face of the books, and from the papers placed before him?—I think it would nearly come to that.

Mr Cayley—And from examining the vouchers?—And from examining the vouchers, of course.

Mr G. C. Glyn—The system of re-discounting is not a common system in Scotland?—No.

It is an abuse?—It is.

Mr Ennis—What is the rate of discount now charged upon bills of exchange?—Three and three-and-a-half per cent.

Is that the result of an arrangement with the other banks, or is it independent action?—It is an arrangement.

You have in Scotland, I think, a law applicable, by a summary process, to the recovery of overdue bills of exchange?—Yes.

Do you find that law to work well?—Yes.

You stated at an early period of your examination that you had occasion to draw £620,000 in gold from London in the early part of November?—Yes.

Not speaking of any legal obligation, because to that of course you are always bound to conform, but speaking prudentially, as a banker, what, in your opinion, ought to be the proportion which your reserve, generally speaking, should bear to your liabilities?—That is a very difficult question to speak to; but of course these are things which we consider frequently; probably one-fifth or one-sixth of the amount of the liabilities in all ordinary cases would be amply sufficient for a reserve.

Mr G. C. Glyn—It would vary according to circumstances, would it not?—It would; if you have a surplus fund, you invest it in Government securities, as the readiest way of doing it.

Mr Ennis—Any calculation, however, with regard to that point contemplates your deposits as well as your issues?—Yes.

I think you realised the £620,000 by the sale of securities in London?—Yes.

Is it usual with you to have at call with the Bank of England or with your banker in London any considerable sum of money?—It is.

Then, am I to understand, that besides the sale of those securities to the extent of £620,000, the reserve which you had at your bankers was also exhausted?—No, certainly not; it was very much augmented upon that particular occasion.

It was, in fact, to feed that account as well that you realised your securities?—Yes.

With regard to your notes, I believe the law compels you to spread over the face of your note the names or places where that note is payable?—I do not know whether the law compels it, but that is done.

Do you only pay such note at the place indicated upon the face of it?—We have never done so; we pay our notes wherever they are presented.

Then, in point of fact, you pay a note issued at one branch at another branch?—Yes, all over the country.

Mr Gladstone—At every branch?—At every branch.

Mr Wilson—You do not issue notes at branches, do you?—No, we do not make notes there and issue them; they are supplied.

You only issue notes originally at the head office?—Yes, at the head offices.

Chairman—Wherever you have a bank, in one sense, of course you issue notes, but your meaning is that they only purport to be issued at one particular place, and therefore, in strictness, you are only required to hold gold for them at that particular place?—Yes, in strictness.

Mr Gladstone—Is the Committee to understand that, to a limited extent, the practice of discounting accommodation bills prevails at your branches?—It does, but to a very small extent; if a farmer, or small shopkeeper, or any man of that description, goes to an agent and explains that he wants a little money, the agent gives it to him, and that we call an accommodation bill.

Does it most commonly happen with farmers?—Yes.

Has it reference to the state of the market, with regard to the expediency of selling their crops?—A good deal; if the market falls, of course they want to hold on a little.

Is the transaction always founded upon a minute and accurate knowledge of the circumstances, and of the person to whom the money is advanced?—Upon an accurate personal knowledge of the circumstances of the applicant.

So that, although it is an accommodation bill in form, yet, in point of fact, it has reference to a really solvent person, and probably also has reference to commodities which he might sell?—Yes; there is no doubt it is represented by something or other.

Then it is an accommodation bill rather in form than in substance?—It is what we call an accommodation bill; it is not a mercantile bill.

Mr G. C. Glyn—Your head office is at Glasgow, is it not?—We have two head offices, at Glasgow and at Edinburgh.

Your exchanges of notes are carried on in the usual way, through Edinburgh?—The exchanges are made in Edinburgh; the gold is kept principally there.

Mr Cayley—When you spoke of government securities being part of your reserve, did you include among them Exchequer bills?—No; we have a certain amount of Exchequer bills which I should not include in the government securities—those Exchequer bills against the exchanges.

Earl of Gifford—You keep Exchequer bills for the weekly exchanges?—Yes: that we do not count as an asset.

Chairman—Those are not in London, but in Edinburgh?—They are in Edinburgh.

Earl of Gifford—You keep a particular amount of Exchequer bills for that purpose, I believe?—Each bank is bound to hold a particular amount of Exchequer bills.

Mr Cayley—Did you attempt any sale of these Exchequer bills during the late panic?—No, never; the banks send in Exchequer bills to be changed each year.

Mr G. C. Glyn—Those Exchequer bills are held for the particular purpose of making the exchanges, and for nothing else?—Yes.

Mr Wilson—Do you make any limit to the amount of cheque which you allow a customer to draw each day?—No.

Was not it the old rule that a cheque for less than £10 was not expected to be presented?—Yes, and for even sums, £50, £100, and so on; but now they are adopting the London plan.

Was not it an understood rule for many years, that a customer drew only one cheque each day?—Yes; that was the practice long ago.

But of late years the practice has been to pay accounts by cheques, and therefore to draw a cheque for any individual account, however small?—There is no invariable practice; some continue the old style of drawing one cheque for what they want during the day; but it is, generally speaking, done in each case by a cheque.

I suppose the limitation of your issue of notes has led in some degree to the greater economy of cheques?—No doubt.

Do you think that that practice to which you have just referred would be very much limited or interfered with by the imposition of a stamp upon cheques?—No, I think not.

Do you think that people would draw as many cheques as they do now, without reference to

the sums, if they had to put a penny upon each cheque?--I do not know; some people might grudge the penny, I dare say, but I do think it would make very little difference.

Mr G. C. Glyn--You do not mean to pay the penny stamp for them?--No.

Chairman--You have been asked some questions about an audit: suppose that any form of account were adopted to which all banks should be required to conform, and that account were recorded at some office of the Government, the Treasury, or the Board of Trade, do not you think that it would be just as possible as it now is for banks who desired to do so to represent themselves as in a state of prosperity when they really were not?—That is exactly in conformity with my answers, that I think an audit, beyond the certifying that the books and vouchers were kept in a proper state, would go a very short way.

Do not you think that if such an account had, to that extent, the colour of being verified by a public department, it might increase the delusive confidence on the part of the public?—There is no doubt of that, unless it was a most thorough audit; any audit that I can conceive would only deceive the public.

Any audit which you conceive could be so made, would be an ineffectual one; and therefore the effect of it would be rather to increase than to diminish delusion?—I think so.

With regard to the pressure which took place on the 9th, 10th, and 11th of November, you attribute it rather to the depositors than to the noteholders?—Yes.

It began, I think you said, in small depositors going for their deposits to the savings bank, and the National Security Savings Bank was run upon?—Yes.

Those payments being made in notes, they immediately went to obtain gold for the notes to the banks which had issued those notes?—Yes.

And so great was the panic that the discredit extended for a time to all the banks indiscriminately?—Yes, more or less, to the notes of all banks. The depositors in the savings banks were not holders of notes at all; they went with their books; they might only have 10s or 5s, or whatever it was.

But they became holders of notes by the repayment of their deposits?—No, they would not take notes. In the case of the National Security Savings Bank, they took notes; but in the savings banks connected with the Glasgow banks they would not take notes.

Then, either in the one case or in the other, it resulted in a demand for gold instead of notes?—Exactly so.

The notes being discredited?—Yes.

And that discredit extending for a time indiscriminately to all the banks?—Yes.

Earl of Gifford—It was for a very short time, was it not?—For two days; the whole of one day and part of another; they would not look at the notes of the Bank of Scotland, or the British Linen Company, or any of those old banks.

Chairman—That continued while the panic continued?—Yes.

When the panic subsided, that feeling subsided?—Entirely.

That was about contemporaneous with the determination of the other banks to take the notes of the City of Glasgow Bank and the Western Bank of Scotland?—Yes; rather before, I should say.

Mr Fergus—Are you aware whether any circular was issued by the banks in Edinburgh to their agents, desiring them not to receive the notes of the Western Bank?—I believe there was an arrangement not to take them.

JAMES SIMPSON FLEMING, Esq., called in, and examined.

Chairman—I think at present you are one of the liquidators of the Western Bank of Scotland?—I am.

You were formerly an officer of the Western Bank?—I was.

Will you have the kindness to state to the Committee the duration and the nature of your connection with the Western Bank?—I became a clerk in the department of the secretary in March, 1847; I continued so till December, 1852.

Who was the manager at that time?—Mr Donald Smith.

Was Mr Donald Smith the founder of the Western Bank of Scotland?—No.

Who was the original manager?—Mr William Mitchell; Mr Donald Smith became manager in 1835 or 1836.

Have you been in the Western Bank the whole time from 1847 until now?—No, I was not in the Western Bank from December, 1852, till March, 1854.

You returned in the year 1854?—In March, 1854.

In what capacity?—As the law officer of the bank.

Are you yourself a member of the legal profession?—I am a writer.

Did you continue legal officer till the time of the suspension of the bank?—I became assistant manager on the 28th of July, 1857.

Afterwards did any change take place?—On the 15th September, 1857, I was appointed

joint manager, and on the 15th of October I was appointed manager, *pro tempore*, on the resignation of Mr Taylor.

I think the 9th of November was the day on which the bank closed its doors?—Yes.

Can you state to us what were the immediate causes which led to the embarrassment of the Western Bank?—I will put in, with the Committee's leave, a circular dated the 9th of November, which I addressed on that day to the agents of the Western Bank. That circular states what I then conceived, and what I still conceive, to have been the causes of the embarrassment.

I suppose you mean the agents in the different parts of Scotland?—I mean the branch agents of the bank throughout Scotland. I may state generally, that I attribute the stoppage of the bank to the undue facilities given to certain houses in Glasgow, and the subsequent failure of those houses, particularly the houses of John Monteith & Co., and D. & J. Macdonald & Co., and also to the American panic, the Western Bank having a large connection with America, and being dependent upon remittances from America, for the retirement of their acceptances payable in London.

Will you have the kindness to state to the Committee the nature of the connection of the Western Bank with America?—In answer to that question, as bearing on the position of the bank's correspondents there, I would read to the Committee an extract from a minute of the directors of the Western Bank, dated 22d of April, 1857, which I think defines the position which Lee & Co. held.

Were Lee & Co. agents of yours in America?—Lee & Co. were the parties through whom all the American transactions took place.

Mr G. C. Glyn—Was the account opened with them at that date?—No; the account had been opened several years before; but, as I understand the cause of this minute, Lee & Co. had proposed that they should take the name and character of agents of the Western Bank, as another New York house had done with the City of Glasgow Bank, Lee & Co. being under the impression that this would enable them more freely to sell their bills upon the Western Bank. The minute is as follows:—"The directors having had a special meeting with Mr James Lee of New York, in regard to the business transacted by Messrs James Lee & Co. with this bank, and having heard his views and explanations, and seen certain papers submitted by him for their consideration, came to the following resolutions, viz.: 1st, With reference to the form of documents proposed to be used by James Lee & Co. in issuing credits on the Western Bank, and to the legal opinion thereon, by Mr Blatchford, an eminent lawyer in New York, the directors do not approve of Messrs James Lee & Co. being described as agents for the bank; they being merely ordinary customers and correspondents. 2d, In regard to the securities, already, and to be hereafter, taken by Messrs James Lee & Co. for behoof of the bank, it is to be clearly understood that these are held by that firm, solely in the character of trustees for the bank, and subject at all times to the orders of the board; but the directors, while they repose every confidence in the integrity and honour of Messrs James Lee & Co., in thus allowing the securities to remain in their custody, deem it expedient, and in accordance with the bank's rules, that periodical reports shall be made to them upon these documents. With this view the directors desire that once every two months an abstract of the securities then in James Lee & Co's custody shall be made out, describing their nature and value; which list shall be compared with the securities themselves by Mr Blatchford, or, failing him, such other person as may be named by the board; and a certificate by him appended thereto, stating that the attestor has then actually seen these securities in Messrs James Lee & Co.'s possession, and finds them to agree with the abstract; such certified bi-monthly list to be transmitted to the Western Bank at Glasgow for the directors' information, commencing the transmission as at 1st July, 1857."

You have seen, perhaps, this document which has been delivered in to the Committee; it is a statement of the liabilities of the Western Bank of Scotland, reported upon by a committee of shareholders, appointed at a meeting on the 2d of December, 1857; perhaps you recognise it?—Yes.

In this account I see an item stated, "Credits on account of foreign customers, past due;" and another item, "Ditto current;" does that represent the account of James Lee & Co.?—It does, amounting together to £376,520.

Against which securities were held under the cognisance of Mr Blatchford, of New York?—Yes.

To the total amount?—I think I am correct in saying that that does represent Lee & Co.'s account; it is possible that there may be some other credits included in that, but I am not aware that there are; and this was secured by securities held to a great extent in New York, under Mr Blatchford's cognisance.

The character of those securities being bonds?—Railway bonds and current bills receivable, to a great extent.

Chairman—Will you state what was the nature of the account of Macdonald & Co.?—Macdonald & Co. had a discount account with the Western Bank, and they had also a current account. At the date of their failure in October, 1857, their discounts amounted to £408,716, 7s. 2d.; they owed upon open account £5635, 18s. 5d., and there were protested bils discounted to them, and bearing their indorsement, then lying over to the extent of £8526, 4s. 10d., making in all £422,858, 10s. 5d.

Was there anything in the previous history of Macdonald & Co. which entitled them to so large a credit from the Western Bank?—Certainly not, in my opinion.

Mr G. C. Glyn—Do you know the amounts of the capital of Macdonald & Co. at starting?—I am not aware of that.

Chairman—What was the state of the account of Monteith & Co.?—At their failure about the same period, on the 10th of October, or thereabouts, they had bills current, under discount, to the extent of £376,799 17s 10d, on open account they owed £67,635 0s 4d, and there were protested bills to the extent of £93,128 18s 7d, making in all a liability to the bank of £537,563 16s 9d.

Was there anything in the previous history of Monteith & Co. which in any way tended to justify such a state of account?—On the contrary, I think that their character in Glasgow was very indifferent.

What was the state of the account of Wallace & Co.?—At the time of their failure they had bills current discounted to the extent of £226,741 14s 7d, and they owed on open account £722 19s 8d, making together £227,464 14s 3d.

Was there anything in their previous history which justified advances of that nature?—I should say not, and that in all the cases the advances were much too large; I have heard it said, that at one time the Wallaces were believed to have realised a considerable sum while engaged in the sewed muslin trade; but ultimately they entered into another department of business, I think spinning, and got into difficulties in consequence.

Are the accounts of these three houses in such a state that you able to tell the Committee what amount in the pound the creditors of these houses are likely to receive?—I am not quite satisfied that I could say so; it would be a very rough guess; I should think in Monteiths' case there will not be a dividend of more than 1s. in the pound. In Wallaces' case I imagine the dividend will be something like 2s.; but I am speaking very roughly; it is a mere guess. In the case of Macdonald, the dividend will be perhaps 5s., or 6s., perhaps 7s.

Is there any other firm which has failed and by which there was a large amount owing to the Western Bank?—Godfrey, Pattison & Co.; they had bills current discounted to the extent of £336,996, 12s. 5d.; on open account they owed £67,253, 16s. 6d., and on protested bills £11,571, 1s. 4d., making in all £415,821, 10s. 3d.

Was there anything in their previous history which would justify advances of that kind?—They were, perhaps, I should say, better entitled to credit than the other houses, their bills being of a much better class, and the loss to the bank will ultimately be much less upon that account than in any of the other cases: but at the same time I think that the extent to which they were credited was very far beyond what any house of their standing ought to have received.

Have you added together the whole amount due to the Western Bank of Scotland from those four insolvent houses?—Including the bills current under discount at the date of their failure, I make the total amount £1,603,728, 11s. 8d.

What is the whole share capital of the Western Bank of Scotland?—£1,500,000.

You have probably made it your business to examine the nature of the bills which were under discount?—On my appointment as assistant-manager, the directors instructed me especially to make these accounts the subject of investigation; at the date of my appointment, I knew nothing whatever of the nature of the current business of the bank, and the directors stated to me at the outset that they were very uneasy as to the large extent of those bills. They said that it had always been represented to them that the bills were for value, but they desired me specially to make those accounts the subject of immediate investigation. I did so, and found that very few of the acceptors had been inquired about through the correspondents of the bank; and in the cases where inquiries had been made, a very large proportion of the answers given were very unsatisfactory. In the case of Macdonald, for instance, where the bills current were accepted by 124 different parties, I found that only 37 had been inquired about, and in the case of 21 the reports received from the correspondents of the bank were either so unsatisfactory that they ought to have induced very great caution or were positively bad. In the case of nine, the parties were reported to be good; and in the case of seven, the parties were reported to be in fair credit. I found that those inquiries had been made a considerable time before the date when my investigation commenced. I cannot say at this distance of time whether the bills of such parties had been discounted before or subsequently to the date of the inquiries, but while the reports were such as ought to have induced very great caution at the time they were received, I found that these parties were under acceptance to a very large extent, and that these acceptances had been discounted by the Western Bank.

Was it true that these bills, or a great part of them, were for value?—It was not true.

Was it true, as we have been told by a former witness, that a very great number of the acceptors of these bills were persons who had no other concern in the transactions of Macdonald & Co. than to receive a commission for putting their names to the bills in question?—It was quite true. In the case of Wallace & Co., I ascertained that from themselves on the 8th of September, 1857. In the case of Macdonald & Co., the same admission was made before they stopped about the beginning of October, 1857.

I do not know whether you can tell us the precise number of persons to whom that

description would apply, but you probably can tell us whether it applies to a very large portion of the 124 persons whom you have mentioned as the acceptors of Macdonalds' bills?—I cannot say from personal knowledge what proportion of the parties were in that situation, but I recollect distinctly that David Macdonald, one of the partners of the firm, while under examination in bankruptcy, stated that about 75 were in that position. I ought to add that I am not sure that the Western Bank held the whole of those bills, or the whole of the 75 names; they were divided among other three banks in Scotland, and several London bankers.

Was Macdonalds' the first of these houses which failed?—No, Wallaces' was the first; I pressed the whole of those houses, after my appointment in July, for statements of their affairs, and the Wallaces were the first firm who made a statement and disclosure of their real position; that was made on the 8th of September. The moment that the Wallaces disclosed the nature of the transactions in which they had been engaged, I became positively certain that the Macdonalds were in the same position, because the Wallaces were, to some extent, drawing upon the very same parties on whom the Macdonalds had been drawing.

What was the effect upon the Western Bank of the failure of these houses?—The effect of the failure of Monteith and Macdonald, which were the first failures that became notorious, was to create a panic on the Stock Exchange, and to bring down the value of the bank's stock very rapidly. It created a considerable feeling against the management of the Western Bank, and it also created, to a certain extent, distrust in the solvency of the bank. It was rumoured at that time that the whole capital of the bank had been engaged in enabling these parties to carry on their business for a series of years; I refer to Saturday the 10th of October.

Mr Cayley—That was just a month before the bank suspended?—Yes.

Chairman—In what way did this distrust manifest itself in regard to the transactions of the bank itself?—There was a slight run for gold and upon the deposits of the bank in the beginning of the following week, commencing, I should say, on Tuesday the 13th.

There was a run for gold and there was a withdrawal of deposits?—Yes.

Did both these circumstances continue?—They did not continue for more than two or three days.

Both stopped at the end of that period?—Both stopped.

The American remittances at the same time failed?—They did.

At that time you entered into negotiations with the other banks in Scotland, did you not?—Mr Taylor ceased to be manager on the 15th of October; he had up to that period managed the whole London finance. I was, I may say, ignorant of it up to that date; and immediately afterwards, after examining the position of the London accounts, I reported to the directors that it would be absolutely essential to make provision for a contingent drain upon the deposit money, and also for the American acceptances becoming due. On the 17th of October the directors resolved to apply to the Bank of Scotland. On the 19th of October, Mr Dunlop, one of the directors, went to Edinburgh and had an interview with Mr Blair of the Bank of Scotland, and on the 21st Mr Dunlop and I went to Edinburgh again. We had a second interview, and submitted an approximate balance sheet, made up as at 9th October. On the 21st of October a written application was made to the Bank of Scotland. On the 23d of October that application was considered at a meeting of the whole of the Edinburgh banks, and was declined until an application should first have been made to the Bank of England. On the 26th of October an application was made to the Bank of England and was declined. On the evening of the same day another meeting took place in Edinburgh.

Are you prepared to state any detail with reference to what passed at the Bank of England, the grounds of the refusal?—I was present.

On what ground did the Bank of England refuse to assist you?—I do not think that they stated the grounds; the Governor merely said that they had considered the application, and that they did not see their way to comply with it. I may add, that I considered the application to the Bank of England as hopeless, looking at the position of their reserve at the time.

Then you renewed your application to the Bank of Scotland?—From London I telegraphed both to the Bank of Scotland in Edinburgh, and to the directors in Glasgow, requesting that they should have a meeting on the evening of the same day on which I had been at the Bank of England. A meeting was held accordingly, and the Edinburgh banks resolved then to give the Western Bank a credit of £500,000, on condition that the directors should dissolve and wind up the concern. On the 27th of October, a meeting of the directors of the Western Bank was held, when Mr Dunlop reported what had occurred on the previous evening, and the directors resolved to decline complying with the condition as to winding up, on the ground that they had no power to do so under the contract of copartnery. On the same day another meeting of the Edinburgh banks was held, and they modified the conditions on which they were disposed to allow the credit of £500,000, by determining that they would merely take the directors or proprietors as a guarantee for the sufficiency of the bank's undertaking for the repayment of the loan, they having proposed in the first minute of 26th October that the

directors and proprietors should become personally bound for the loan. On the 28th October, the manager of the Union Bank of Scotland, Mr Robertson, and the manager of the Clydesdale Bank, Mr Readman, both went to Edinburgh and had another meeting with the Edinburgh banks, and represented to them the importance of, if possible, modifying the condition which had previously been imposed; and still the Edinburgh banks declined. On the 29th of October, I went to Edinburgh, and had another meeting with the Edinburgh banks, and pointed out to them the grounds upon which the directors of the Western Bank did not feel justified in acceding to the condition; indeed they had no power to do it; it would have been illegal as they were then advised; and, after discussion and reconsideration, the Edinburgh banks on the 29th resolved to make an advance of £500,000, unfettered with any condition; accordingly, it was made, promissory notes being granted by the Western Bank at six months' date for £510,000, there being a further guarantee by the directors individually, the terms of repayment being that the Western Bank should be bound to replace the Edinburgh banks in consols at the price of the day. In addition to the loan so obtained from the Edinburgh banks, the Clydesdale Bank advanced £100,000 on a note at six months by the bank, and also a similar guarantee by the directors, that note being discounted at the ordinary rate of 8 per cent., without any stipulation as to repayment in consols; on the morning of the 29th of October the city article of the *Times* contained a paragraph stating that the Edinburgh banks had resolved to carry the Western Bank through their difficulties, on condition that they should wind up; the *Times* newspaper of the 29th reached Scotland on the 30th, and immediately thereafter a new withdrawal of deposits commenced, and from that date I may say that the withdrawal went on till the bank was obliged to close its doors on the 9th of November. I shall put in a copy of the correspondence, minutes, &c., showing the progress and nature of the whole negotiations.

Had you made any renewed application in the interval?—On the 31st October a renewed application was made to the Bank of Scotland in a letter, stating the reasons why that renewed application became necessary.

What was the result of the application?—It was declined.

What was the immediate cause of your suspension on the 9th of November?—On Monday, the 9th of November, we fell to provide for the balances of exchange against us which had been declared on the previous Saturday, those balances falling to be settled in Edinburgh on the Monday, and the settlement being made by the purchase, when the balance is adverse to the bank, of Exchequer Bills from another bank holding a surplus of Exchequer Bills, for the price of which, the bank buying them draws upon its London correspondents; the exchanges having run very heavily against the Western Bank for two or three settlements previously, the balances then in London were not sufficient to enable us to provide for the purchase of the Exchequer Bills which were necessary.

And that led to the necessity of your suspending your payments on that day?—I intimated to the Edinburgh banks at the end of the week that it was impossible to provide for the balances of exchange on Saturday, supposing them to be heavy. They were aware of that fact, and on Sunday the 8th of November I had indirectly intimation that the Edinburgh banks had resolved immediately after the declaration of our inability was formally made in the exchange room on the Monday, to issue circulars to their agents, instructing them to decline the notes of the Western Bank.

And for a time the Western Bank notes were refused?—For a time they were.

What was the consequence of that?—My opinion was that it very greatly aggravated the panic.

Were there any external evidences in the city of Glasgow of the existence of panic, and of its aggravation by the discredit of the Western Bank notes?—There were, I believe.

Can you describe them?—I cannot from personal observation, for I did not see them; but I have understood both from the newspapers, and from what I heard from every one, that large crowds were brought together near to the bank offices spread throughout the city, and that a very active demand took place on the National Security Savings Bank, the City of Glasgow Bank, and on the Union Bank, and on one or two of the Edinburgh banks, on the Tuesday and Wednesday.

When did the other banks withdraw that notice and again consent to receive the Western Bank notes?—I am not aware that any instruction was ever actually given by the Edinburgh banks to their agents to decline the Western Bank notes. I was only informed on the Sunday that it was their intention to issue such an instruction.

And on the Tuesday and Wednesday, in point of fact, they were refused?—They were. I rather think it was so both on the Tuesday and Wednesday; I have always understood that on the Wednesday evening, at a meeting held in Edinburgh, they resolved to take the notes of both the suspended banks.

What was the effect, as regards public feeling in Glasgow, of that change of circumstances on the Thursday?—That, I think, combined with a very large arrival of gold from London, tended to allay the panic which had existed in Glasgow for two or three days before.

Can you put in a record of the state of the exchanges of the Western Bank for a considerable time?—I can; I believe I can put in a detailed statement showing the exchange at every exchange settlement since 1852; the results I can very briefly tell you. The aggregate balances in favour of and against the Western Bank were as follow:—

	In Favour.	Against.	Difference Against.
In 1852, ...	£173,274	£2,108,865	£1,935,591
In 1853, ...	380,786	2,707,674	2,326,888
In 1854, ...	69,744	2,906,139	2,836,395
In 1855, ...	125,080	4,109,726	3,984,646
In 1856, ...	114,213	3,494,139	3,379,926
And up to the 9th November, 1857,	101,813	3,393,553	3,291,740
Total, ...	£964,910	£18,720,096	£17,755,186

Showing a yearly average against the bank of £3,037,531.

You have been acquainted, more or less, with the state of the Western Bank from the year 1847?—I cannot say that I have; my information regarding the state of the Western Bank is derived, to a very great extent indeed, from an examination of the books made since the month of July, 1857.

But, speaking generally, you were in the employment of the Western Bank in the year 1847?—I was.

And you are aware, speaking generally, of the state of the Western Bank in 1847?—I am aware of it at the present moment from the books, but so ignorant was I of the position of the bank in 1847, that I did not know until very recently that they had applied for assistance to the Bank of England.

It is not the object of the question at all to assume that you had, before you acquired your present position, a knowledge of the affairs, but that you now have, and are now able to state to the Committee what has been the condition, during the last ten years, of the Western Bank?—From the books I now have.

From the examination which you have since made?—Precisely.

You are aware that they were in some difficulty in the year 1847?—They were.

And that they obtained assistance from the Bank of England in that year?—In November and December, 1847, they obtained an advance of £300,000 from the Bank of England, which was repaid in February and March, 1848.

Were there at that time bad debts owing to the bank?—There were.

What was done with regard to those bad debts when the accounts of the bank were subsequently made up at the next half-yearly statement?—You refer to the statement of 1848; those debts to a considerable extent went to swell the account of protested bills; I think in 1847 and 1848 the account then went under that name. I have with me an analysis of the whole balance-sheets prepared by the accountant of the bank since the commencement in 1833; that I shall put in if the Committee wish it. I find from this balance-sheet that in 1847, at the balance of that year, which took place in May (the books of the Western Bank were balanced on the last Wednesday of May, and the annual meeting was held in June, and this statement must be read with that explanation, that the year applies to May of each year), in in May, 1847, the account of bills protested shows a balance of £66,073 12s 4d; in May, 1848, that account had increased to £356,566 12s 9d; and in June, 1849, it remained about the same sum: so that the addition took place to the account of bills protested between the balance of 1847 and the balance of 1848; in addition, however, to that, I now find that another large debt, which was the largest bad debt that seems then to have been made through a person of the name of Scarth, and which became bad, I think, about the end of 1846, was placed to the debit of various accounts, which appear in the balance sheet under the head of "Credit Accounts," and has stood there ever since. That debt amounted, in the whole, to about £120,000, and Mr Donald Smith seems to have divided it into four or five open credit accounts, bearing the names of the various acceptors of Scarth's bills, and to have debited those accounts with the amount of their respective acceptances, which had then become past due, and he proceeded to cover the debt to a certain extent by effecting insurances upon the lives of the debtors; such policies of insurance were opened to the extent of £75,000 as against this debt, and it has stood in that form until now.

Who paid the premiums?—The bank did, except in one case, where one of the obligants upon the bills undertook to pay £500 a year towards the payment of those premiums, and that sum has been regularly paid. Since 1847 there has been an accumulation of premiums of insurance paid on that account of £33,512, 0s. 9d., which stands in the same way as a credit account.

Mr Wilson—Do those all now stand as assets in the books?—They do.

CHAIRMAN—In 1847, prior to the difficulties, what dividend was declared?—In June, 1847, the dividend was 8 per cent.

What was the dividend in 1848?—Eight per cent.

Judging from your present knowledge of these accounts, should you say that in June, 1848, the bank had actually lost a very considerable proportion of its capital?—In June, 1848, the debts in suspense, including the whole of the bills that I have referred to, so far as they stood as bills protested, but excluding the accounts which formed credit accounts, arising out of Scarth's debt, stood at £356,566, 12s. 9d.; but at the same period the rest and guarantee fund amounted to £430,966, 4s. 1d., so that there was an excess of rest and guarantee fund over debts in suspense of about £74,000 to be set against the other debts spread over the books: and that is upon the assumption that the whole of this £356,000 of debts in suspense was bad, which would not be the case, because into the account of bills protested all bills entered the moment they were dishonoured, although the indorsers might be perfectly good, and the bills might be taken up the next day.

Then do I rightly understand you to say, as the result of your examination, that notwithstanding the great losses which had been incurred in 1847, the whole capital of the bank still remained intact?—I should not say so; I should think that the capital of the bank must, although so far as I can see, only to a slight extent, have been then encroached upon.

Is there any condition in your deed of settlement as to winding up, when any portion of the capital has been lost?—There is; it is declared by the contract of copartnery, "That if it shall at any time appear, on balancing the company's books, that a sum equal to £25 per cent on the advanced capital stock of the company has been lost in prosecution of the business of the company, such loss shall, *ipso facto*, and without the necessity of any further procedure, dissolve and put an end to the company."

I understand you to say, that, so far as your examination enables you to judge, that state of things had not arisen in June 1848?—I should think not, because the nominal capital of the company was then £1,750,000. Now in addition to one-fourth of that, you require to add the £430,000 of rest and guarantee fund: before the capital is at all encroached upon, you must exhaust that £430,000; so that you had a very large sum to exhaust before you could have attained this position.

What course was pursued by Mr Smith, after the disastrous autum of 1847?—I think Mr Smith's management became rather more cautious during the following years. I found that opinion upon the figures which I shall read to the Committee, showing, first, the extent to which Mr Smith was in the London re-discount market; and, secondly, the extent of the discounts in Scotland by the bank. I find that the bills re-discounted amounted to—

In 1847,	...	...	...	...	£656,077	7	9
In 1848,	...	...	...	...	374,707	8	8
In 1849,	...	...	...	...	249,956	11	8
In 1850,	...	...	...	...	290,813	7	1
In 1851,	...	...	...	...	588,247	2	11
In 1852,	...	...	...	...	407,143	10	0

I should explain, that only a small proportion of those bills were discounted in London. It used to be customary for provincial English banks, who had a surplus of money, to offer to transfer that money from their own London bankers' account to that of the Western Bank, discounting bills payable in London in exchange. These transactions were gone into at the request of the provincial banks, and therefore Mr Smith may be said to a very great extent to have been out of the London discount market during the period I have referred to. The total discounts of the bank amounted to—

In 1847	...	...	...	...	£15,711,437	10	1
In 1848	...	...	...	...	12,088,642	11	8
In 1849	...	...	...	...	10,522,021	11	7
In 1850	...	...	...	...	12,048,669	4	0
In 1851	...	...	...	..	13,322,753	1	3
In 1852	...	...	...	...	13,525,332	8	6

So that there was a decrease in that respect in Scotland, both at the head office and at the branches.

Mr CAYLEY—Did that go on increasing towards 1857?—Yes; it went on increasing very largely from 1852, when Mr Smith ceased to be acting manager.

CHAIRMAN—What was it in 1852?—The bills rediscounted in 1852 amounted to £407,143, 10s, and the bills discounted by the Western Bank amounted to £13,525,332, 8s 6d.

Upon the whole you consider that up to the year 1852, when Mr Smith ceased to be the acting manager, there was evidence that the lesson of 1847 had not been wholly thrown away upon the Western Bank?—I think so.

Was there any addition made to the write-off of bad debts?—I ought to state to the Committee, with reference to all those figures, that I have not verified their accuracy personally; I have not had time to do so; I believe them, however, to be correct; they have all been made up under my instructions, and by the accountants connected with the bank, and I have no doubt that they are generally accurate. I find that there was written off for bad debts—

In 1847, ...	£50,280	6	3
In 1848, ...	11,922	13	3
In 1849, ...	96,939	0	3
In 1850, ...	19,133	5	0
In 1851, ...	23,242	19	7
And in 1852, ...	16,758	0	11

During that period had you many important failures?—Not till 1852; if I remember rightly, in 1852 there were several pretty heavy failures in Glasgow.

Upon the whole, what was the position of the Western Bank of Scotland when Mr Donald Smith, in the year 1852, ceased to be the acting manager?—I should think that it was not in a satisfactory position.

Mr G. C. Glyn—Referring to the year 1848, your bad debts written off were about £11,000, you state?—Yes.

But the amount of protested bills carried forward that year mounts up suddenly to £356,000?—In 1847, £50,000 was written off; in 1848, £11,000; and in 1849, £96,000 seems to have been written off.

The amount of protested bills carried forward in 1849 was about £356,000?—It increased very largely in consequence of the failures in 1847.

Mr Spooner—You have stated that there were some very great failures in Glasgow in 1852; will you state what was the reason of those failures?—If I recollect rightly, they were connected with the tallow trade; three or four parties connected with that trade failed in that year. As I have already said, I left the bank in 1852, and before that time I paid very little attention to failures, because I had no direct interest in them. I am speaking from recollection when I say that it was connected with that trade, and the Western Bank had a cluster of those people who had manufactured accommodation bills, doing business with them.

Chairman—When was Mr Taylor appointed manager?—Mr Taylor was appointed assistant manager in October, 1852, I think.

And Mr Donald Smith being absent, he was acting manager from that time?—He was.

He had previously, I think, been manager of a bank in the north of Ireland?—He had been manager of the Ulster Bank at Belfast.

What was the state of the London account at that time?—The London account must be viewed in two ways; we speak first of the cash balance, and secondly of the general balance. In speaking of the cash balance we take credit for all bills that have been sent to the London bankers and are due, and we give credit for all drafts which have been drawn and are due, although the drafts may not have been paid when they fall due. In 1852 the cash balance, keeping in view those explanations, amounted to £72,443 at the credit of the bank. Then comes the general balance on the accounts; I ought to say, that the Western Bank corresponded with the Bank of England, with Jones, Lloyd & Company, and with the Union Bank of London; and this is the aggregate of the three accounts. The general balance in 1852, meaning by "general balance," the balance on the account after taking credit for all bills remitted, although not due, and giving credit for all drafts drawn although not paid, amounting to £259,006 in favour of the bank.

Does Mr Taylor appear to have instituted a careful examination of the state of the bank?—I think so.

Can you tell us what was the state of the bank at that time?—I cannot in October, 1852, no balance being made at that period of the year; I can approximate to the state of the bank at the balance in June, 1853. Since Mr Taylor left the bank in October last, I have found among the papers which he handed over to me before he left certain statements which bear his own handwriting, and bear internal evidence of having been before him in the year 1853, before the balance sheet was prepared. One of those statements is headed, "Note of balances at debit of sundry debtors' account, and amount supposed to be recoverable, June, 1853." With reference to the name of that account, I ought to explain, that "sundry debtors" is a ledgerised form of protested bills, with the names of the indorsers of each class of bills ledgerised, so that in the case of Monteith for instance, all the bills drawn by him would be ledgerised to his debit in this book, called "sundry debtors." Therefore, the accounts of "sundry debtors," and "bills protested," are both composed of protested bills, and are to be taken together and regarded as protested bills, or, as we have lately called them, debts in suspense. In June, 1853, according to this statement, the balances at the debit of "sundry debtors" were £399,055, 12s, and the sum supposed to be recoverable, and reported as recoverable to Mr

Taylor by the party then having charge of this account, amounted to £125,058, 17s 10d, leaving a balance reported as irrecoverable of £273,996, 14s 3d; and at the same period there was reported to Mr Taylor as irrecoverable of bills protested £6321, 14s. 9d., these items making together £280,318, 9s., and at the balance of 1853, Mr Taylor wrote off, in respect of these debts, £18,548, 9s. 3d.

Do I correctly understand from you, that whereas upon a private paper, in Mr Taylor's hand, when he framed the statement which was to go to the shareholders at the June meeting of 1853, there appeared to be irrecoverable debts to the extent of £280,000, the account actually exhibited to the shareholders at that meeting only represented irrecoverable debts of £18,000.—Scarcely so, because the sum written off was not represented to the shareholders at all. The £280,000 less the £18,000, leaving £261,000 odd, was included in the annual balance sheet as good assets under the head of "Sundry Debtors and Protested Bills."

So that there was a representation made to the shareholders of £260,000 assets, when a confidential paper upon which that document was based represented that sum of £260,000 as irrecoverable?—Yes.

Mr Cayley—This was a surmise on the part of Mr Taylor, that so much would probably be ultimately bad, and so much would be ultimately good; there is a particular period when that is determined, is there not?—This was a report made to Mr Taylor, I presume, at his own request by the party in charge of this particular account, called "Sundry Debtors," and the party requested to report upon it, reports to Mr Taylor that of the balances of £399,000 standing at the debit of the respective accounts in that ledger, there is only recoverable £123,000.

Mr G. C. Glyn—Is it the accountant of the bank who prepares that statement?—Not the accountant.

What officer?—A clerk in the bank having the special charge of this account at that time.

A confidential clerk; a clerk of a higher grade?—A clerk of a higher grade.

Mr Cayley—Would that be considered a definite decision upon the part of the official of the bank, with regard to what was good, and what was bad?—It would be regarded as his opinion; of course it was only an estimate; because in many cases there were still dividends to be received from the estates of the obligants of the bills represented in this account; but it was an estimate by the party in charge of the account of the sum believed to be recoverable out of the aggregate of the balances; according to his opinion there were debts irrecoverable at that period, of L.273,000 on "Sundry Debtors," and L.6321 on "Bills protested."

Mr G. C. Glyn—Is that a process which takes place annually, or was it called for by Mr Taylor on the first year of his coming into office?—I think it must have been a thing which he called for; I have no information upon that point.

Mr Cayley—Supposing you had been in Mr Taylor's position, in what way would you have looked at that account?—Supposing I had been in Mr Taylor's position, desiring to ascertain the exact state of the bank, I should certainly have requested the party in charge of this account, and who must be supposed to have been the most familiar with it, to report upon it to me; I should then have exercised my own judgment as to the extent to which I thought that report entitled to weight or credit.

How do you consider that the account should have been made out for the shareholders, if an account is made out for the shareholders?—No account is submitted to the shareholders, but upon the face of the balance sheet you will find that there stands as assets of the bank, taking the year 1853, at the debit of "protested bills," L.22,837 8s 7d, and at the debit of "sundry debtors," L.378,489 0s 1d. Those ought to be good assets, and are represented as good assets on the face of this balance sheet; if I had been dealing with this report, I should certainly, if I had satisfied myself of the accuracy of the estimate and had the funds, have written that amount off at once; and if I had not had the funds, I should have felt myself bound to go to the shareholders and say that I must encroach upon the capital for the payment of those bad debts, and I should not have had it upon the face of the balance sheet as a good asset when I knew it to be bad asset.

You think that those assets are exaggerated by how much?—Certainly, if this report is correct, by L.261,000; in addition to that L.261,000 there was still Scarth's debt standing in another account, under the head of "Credit Accounts," with several others which I could now put my finger upon, as bad at that period; I do not know that Mr Taylor, with the information which he had then, could have pointed out these accounts as I can do now.

Chairman—What was the dividend declared to the shareholders at the June meeting?—In 1853 the dividend was 7 per cent.

That is the same dividend which Mr Smith had paid from the year 1849, is it not?—Yes.

Does that appear on the face of the balance sheet to be paid out of the profits of the year?—On the face of the balance sheet the gross profit was stated at L.164,964 0s 8d, and correctly stated, I have no doubt, the profit being composed of discount and exchange, and so forth. The charges of management, expense of branches, and so forth, during the same year, amounted to L.38,128 11s 7d, leaving as nett profit L.126,817 9s 1d; applied in this way: dividend, L.105,000, sinking fund or rest, L.10,000, that being the addition made to that fund; and guarantee fund, L.11,817 9s 1d.

Have you the report which was made to the shareholders in June, 1853?—I have; I will put in the whole of the reports from June, 1850, onwards, and earlier, if the Committee shall desire it.

What was the course of the bank from the year 1852; did that same prudence, or comparative prudence which you have ascribed to Mr Donald Smith, continue?—Any opinion which I have formed is founded altogether upon the figures, and I think they speak for themselves; therefore I will give them to the Committee precisely as they appear from the books. In 1852, as I have already said, the bills re-discounted amounted to L.407,143,10s, and the total discounts in Scotland to L.13,525,332, 8s 6d. From 1853 the figures were as follow:—

Year.	Re-Discounted.	Total Discounts.
1853	£1,682,320 0 4	£14,987,740 9 4
1854	3,856,292 2 6	18,596,703 14 9
1855	4,969,669 7 2	19,835,781 1 0
1856	5,407,363 1 7	20,410,883 17 0
Till 9th Nov., 1857	4,881,221 12 3	20,691,415 5 5

We have been told by a former witness, that one of the principal characteristics of Scotch banking is the large reserve which the Scotch banks kept in London for the purpose of meeting their engagements; will you have the kindness to tell us what was the reserve held by the Western Bank of Scotland during those years?—The proper reserve in London was the floating balance at the credit of the bank with the London bankers; I may speak of the reserve as composed also of Government stock which the bank held; but it would be, to some extent, incorrect to represent it as reserve, for the Government stock consisted of L.60,000 Exchequer bills, which were held by the Customs, I think, as security for the proper remittance of the Customs dues collected at Greenock, which was made through the Western Bank. In addition, the bank held L.38,000 of Bank of England stock, worth about L.80,000, and various railway stocks, making the total amount of such convertible securities about L.240,000, in addition to the floating balance at the credit of the account with the London bankers.

What would be the average amount of that floating balance?—I find, speaking of the available cash balance, that in 1852 (taking it as a fair example) for a month between October and November the weekly aggregate balances on the three London accounts were as follows: on the 15th of October the balance was L.72,443 in favour of the bank; on the 22d of October the balance was against the bank L.41,044, 14s; on the 29th of October it had again changed, and was in favour of the bank to the extent of L.41,597; on the 5th of November to the extent of L.40,072; and on the 12th of November to the extent of L.43,000. I should be inclined, speaking from recollection, to put it at from L.50,000 to L.100,000 as a floating balance.

The average cash balance of the Western Bank in London during the time that these operations were being carried on ranged from L.50,000 to L.100,000?—I should think so, subject to correction.

Mr Weguelin—Was that cash balance in the hands of the Bank of England?—No, it was in the hands of three bankers, the Bank of England, the Union Bank of London, and Jones, Lloyd & Co. With respect to the balance-sheets, I ought to explain that they are made up on a defective principle, and have been all through; for instance, they do not show the aggregate liabilities or the aggregate assets of the bank. At the head office of the bank they treat every branch as a separate concern, keeping an account current with that particular branch; and in the annual balance sheet, when they bring the books at the head office to a point, they state that a particular branch is either debtor or creditor to the head office; so that supposing a branch has L.50,000 of deposits, and supposing it has advanced L.49,000, then the head office would credit the difference of L.1000; but that would not correctly represent the liabilities of the Western Bank, because its liabilities would be L.50,000, while its assets at that branch would be L.49,000; so that the analysis of the balance sheets which I have put in must always be read with that explanation.

Mr G. C. Glyn—How many branches were there?—At the date of the stoppage there were 101 branches. That arrangement referred to may have been a book-keeping matter, a convenience; I do not know the reason why it was so treated, but manifestly it is incorrect.

Chairman—The necessary effect of such a mode of preparing a balance sheet is to re-

present the liabilities of a bank having 100 branches as very much below what the real liabilities of that bank are?--Certainly.

Mr WILSON--But then, on the other hand, the assets would be equally diminished?--Yes, but the risk is greater.

CHAIRMAN--The totals, therefore, on both sides being diminished, the risks to which the bank was exposed would appear to be much less than in a time of adversity they might very probably turn out to be?--Certainly.

You have given us the cash balance as ranging upon the average from L.50,000 to L.100,000. Will you be kind enough to give us the general balance to which you referred in a former answer?--Taking the same period from the 15th of October, 1852, till the 12th of November, 1852, I find that the general balance on the London bankers' accounts current, after debiting them with the whole bills, although not due, and crediting them with the whole drafts, although not paid, including the cash, amounted to L.259,006 on the 15th of October; on the 22d, L.242,726 17s 4d; on the 29th of October, L.288,201 17s 4d; on the 5th of November, L.332,658 13s 1d; and on the 12th of November, L.257,380 0s 9d; so that it ranges something near to L.300,000.

So that the total assets in London ranged upon an average somewhere near L.300.000, of which from L.50,000 to L.100,000 was from time to time in cash?--Yes.

Did the 7 per cent. dividend continue?--In 1854 the dividend was increased to 8 per cent.

Was there any considerable write off for bad debts in the year 1854?--L.10,688 10s 2d.

Was there any increase of the rest?--L.40,000 was put to the rest, and L.26,948 1s 7d was put to the guarantee fund.

In 1855 what was the dividend?--The dividend continued the same (8 per cent.) in 1855, and in that year the amounts carried to rest and guarantee fund were L.34,000 to rest and L.24,892 0s 4d to the guarantee fund. In 1856 the dividend was increased to 9 per cent., and L.31,000 was put to rest and L.38,449 13s 9d was put to the guarantee fund. In 1857 the dividend was continued at 9 per cent., and L.11,777 3s 3d was put to the rest and L.57,986 12s 3d was put to the guarantee fund.

Mr G. C. GLYN--What was the amount carried to the account of protested bills for those several years?--I can show you the gradual progress. Bills protested are now divided into two accounts. There are "bills protested," and "sundry debtors,"--"sundry debtors" being the ledgerised form of bills protested. This form of book-keeping commenced in 1849, when bills protested got large; I believe it was a matter of mere clerking convenience:--

In 1852 the debts in suspense, including "sundry debtors" and "protested bills," amounted to ...	£413,136	12	6
In 1853 to	401,326	8	8
In 1854 to	419,793	11	6
In 1855 to	438,084	19	3
In 1856 to	503,614	14	1
In 1857 to	392,502	13	2

CHAIRMAN--You have told us that when the Western Bank failed on the 9th of November, 1857, four insolvent houses had absorbed more than the whole capital of the bank?--Yes.

Will you compare the state of the bank on the 9th of November, 1857, with the state of the bank about October, 1852, as regards the general nature of the business of the bank and the state of the accounts?--I may say generally that I think that the business of the Western Bank had deteriorated between 1852 and 1857. I think that from the large absorption of capital by the two or three houses to which I have referred the Western Bank were obliged to refuse to the good customers of the bank the accommodation which they wanted, and were perhaps entitled to.

Will you be so kind as to state to the Committee the condition of those accounts to which you have particularly drawn our attention, as they stood, if they stood at all, in the books of the bank in 1852, and as they finally stood in 1857?--Taking them in the order in which we have already had them, in Macdonalds' case, the discounts in October, 1852, amounted to L.107,116, and on the open current account at that time there was a credit balance of L.1806 with no protested bills, making their total liability to the bank L.107,116 on bills discounted; while at the failure of that house their total liability amounted to L.422,878, 10s 5d, and of the bills then current under discount, amounting to L.408,716, 7s 2d, bills to the extent of L 398,349, 13s 6d were dishonoured at maturity.

So that there was a material difference in the character of the bills, as well as in the amount?--I should say certainly as to the character, and unquestionably there was in the

amount. In the case of Monteith & Co., their discounts in October, 1852, amounted to		£83,779
while they owed on open account		3,523
Making together, ...		£87,302
While at the failure, their total liability, including		
Bills under discount, ...	£376,799 17 10	
Open account, ...	67,635 0 4	
And protested bills	93,128 18 7	
Amounted to	£537,563 16 9	

Of the L.376,799 17s 10d of bills current under discount at their failure, there were dishonoured at maturity L.269,726 5s 4d. Wallaces' discounts in 1852 amounted to L.18,144; their total liability at their failure amounted to L.227,464 14s 3d.

Pattison's discounts in 1852, amounted to ...		£89,678
And they owed on open account		1,154
Making together, ...		£90,832
While in 1857, their total liability, including		
Bills current discounted	£336,996 12 5	
Open account	67,253 16 6	
Protested bills	11,571 1 4	
Amounted to	£415,821 10 3	

With regard to Wallaces' house, I ought to have said, that of the £226,741 of bills current discounted, there were dishonoured at maturity L.209,534. In the case of Pattison, of the L.336,996 of bills discounted and current, there were dishonoured L.150,749, 0s 3d.

Do you think that the same observation which you have made in the case of Macdonald as to the character of the bills at the two periods respectively, holds with regard to the other houses?—I have not examined the character of the bills which were under discount in 1852, nor have I examined the account of protested bills, to see what, if any, were dishonoured; but giving my general idea as to the nature of the accounts, and looking at the very small amount of bills paid at maturity, I have little hesitation in expressing it as my opinion, that the character of the bills was deteriorated in all the cases. The character of Pattison's bills was better than that of those of any of the other houses; and of their bills dishonoured, a considerable portion were those of Dennistoun's house, which will eventually be paid. The bills although dishonoured at maturity, may, in many cases, be perfectly good. In other cases, of course, dividends will be obtained.

What was the constitution of the Western Bank in regard to its government?—By the contract of copartnery the government of the company was vested in a Board of ordinary directors, consisting of six members, with a manager in addition, who was a member of the Board, *ex officio*, and in addition, there was a governor, deputy-governor, and a body of extraordinary directors, who, however, by the contract, were exempted from any interference in the business of the bank; they were not obliged actively to interfere, or to inquire into its affairs; and in point of fact, with the exception of the deputy-governor, who attended the Board meetings regularly, they never did; they never held meetings.

Did the Board, consisting of the six ordinary directors and of the manager, meet weekly?—They and the deputy-governor did.

Was their knowledge of the transactions of the bank complete and full?—Their knowledge I should certainly say was not complete and full, and could not be from the documents laid before them.

Have you any of those documents?—I have brought specimens of the books laid before them, and I think I shall be able to explain to the Committee the exact amount of information which these books were calculated to convey. There was first of all a sheet laid before them balanced weekly, containing each account, and the sum at the debit or credit, as the case might be, of each account appearing in the general or abstract ledger, but not embracing the accounts of individuals. For instance, to make myself intelligible, while in a ledger called the "Deposit Ledger," the account of every individual appears with the sums at his debit or credit, as the case may be; these accounts in the general abstract ledger of the bank are slumped under the head of "Deposit Accounts," and the sheet submitted to the directors weekly, showed what sum was at the credit of the account of "Deposit Accounts." For instance, on the 12th of June, 1857, there appears at the credit of the account called "Deposit Accounts," in the abstract ledger of the bank, the sum of L.387,661, 19s. 5d.

Mr WILSON—That is the aggregate?—That is the aggregate of the various accounts

which appear in the abstract ledger of the bank, but giving no details. It shows the capital, the notes issued, and the amount of discount which has been received during the period since the last statement, and so forth.

It is the balance sheet for the week?—Just the balance sheet or the week, with the sum at the debit or credit of each branch.

CHAIRMAN—How would Scarth's debt appear in such a document as that?—At the debit of an account under a heading called "Credit Accounts," there appears in the sheet given in on the 12th of June, L.1,967,655, 1s. 7d. at the debit. Scarth's account would be included in that sum.

Then the six directors would have the satisfaction of regarding that as part of the property of the shareholders?—Certainly they did.

Mr WILSON—There was nothing in that account which indicated to the directors any means of judging of the quality of those assets?—Nothing whatever beyond the simple fact that a certain amount of money appeared to be invested in credit accounts, and a certain amount of money in bills, and so on.

Aggregate assets?—Aggregate assets.

CHAIRMAN—Then if four accounts of not particularly trustworthy people had absorbed the whole capital of the bank, would it necessarily be made known to the six directors?—Not from this statement certainly. I will explain, after putting in these specimens of the books which were laid before them, what was the defect.

Then if one-fourth part of the capital had been irrecoverably lost, and if, therefore, the copartnership had been in the terms of the deed of settlement *ipso facto* dissolved, and the existence of the directors put an end to thereby, would the directors have been necessarily cognizant of such a catastrophe?—Certainly not from such a statement as the one which I have produced.

Mr HOPE JOHNSTONE—But there were means by which the directors might have obtained that information?—The books of the bank were in existence. In addition to this weekly statement, there was laid before the directors, weekly, a book in which were inserted the details of every bill, that is to say, the drawer and the acceptor, the date when due, and the amount of every bill discounted during the previous week, if above L.100 in amount; all bills under L.100 were slumped; there was also a book laid before the directors called "Agency Abstracts," which showed the position of each branch, in respect of the aggregate advances, deposits, and so forth; it contained the amount of money at the credit of "Deposit Accounts" at each branch, the amount of money at the credit of interest receipts, overdrawn deposits, and so on. I will put in this as a specimen of the book which was actually kept and submitted. Now, the Committee will observe, from these weekly statements, that the directors had no opportunity of discovering what amount of accommodation, either by way of discounts or by way of overdrawn account, any one individual had at any given time; if they had wished for that, they would have been obliged to go, and were of course entitled to go, to the books of the bank, but nothing was regularly laid upon the Board table which would have enabled them sitting there to discover what the position of the account of any one individual was.

Mr G. C. GLYN—They were merely abstracts, in fact?—Yes, with the addition of a detail of all bills discounted, if above L.100, but that detail not showing the amount which any one individual had at any one time under discount.

But it was known to the directors at the time that these were only abstracts, and that they referred to more detailed accounts?—No doubt.

They had every opportunity of reference if they had seen fit?—Yes; certainly.

Was there any rule or direction by which the directors themselves were prohibited from looking into those minute accounts?—Certainly not.

CHAIRMAN—You became assistant manager in July?—Yes.

What occurred at that time?—I must go back for a month before that; I think about the 26th of May, 1857, perhaps a day or two earlier or later, I was instructed to report to the directors on the account called "Sundry Debtors," the ledgerised form of protested bills. They sent those instructions to me through the accountant, who intimated that they would meet on the 29th of May to receive my report. I immediately set about my examination of this account, of which I was comparatively ignorant, and I got the assistance of the party who had for many years before 1853 taken charge of it. Before the 29th of May I was able to examine it up to the year 1851; and I reported to the directors on that day that there was L.125,000 odd bad, standing on the books before the end of 1851, over which period my investigation had extended. On the 29th of May my first meeting took place with the directors, and I told those gentlemen that while I had not been able to complete the examination of this account up to 1857, I was quite satisfied that there was at least an equal sum of L.125,000 standing. They provided for the sum that I had reported specially upon, and wrote it off; hence the decrease in the "Debts in Suspense" in 1857.

You mean that that came to them as a piece of intelligence for which they were not

prepared?—I think so; judging from the way in which they received it, I should say they certainly were not prepared. I was myself by no means prepared for the result which I then discovered.

Mr G. C. Glyn—Did they write that off from the guarantee fund?—They did; the guarantee fund then stood at a considerably higher sum. That was the first meeting which I ever had with the directors, except in connection with legal matters, and I had no further meeting with them until the 21st of July, 1857, when they proposed to me the appointment of assistant manager. The examination which I had made in May had shown such results that I was by no means anxious to undertake such an office, and told them so, but they pressed me much to reconsider the matter, and I accordingly did so. On the 24th of July, having spent the interval between the 21st and the 24th in as minute an examination as I possibly could make during the short interval, into the general affairs of the bank, which I had never previously gone into, and with the aid of the balance sheet of 1857, which I then got from the accountant, and saw for the first time, I was able to show to three of the directors, whom I then met, what I conceived to be the position of the bank. A copy of that statement I may as well put in.

That was after the general meeting for that year?—It was. This was the general result of that approximation which I made in the end of July; and regarding the whole of the current business as good, because of its nature I then knew nothing. I estimated that there was then on the books L.573,000 of bad debts, and, deducting from that sum the rest and guarantee fund, which then amounted to L.246,000, there remained an apparent deficiency, or encroachment on the capital of the bank, of L.327,000. It was on this occasion, after showing the directors this statement, and after telling them that I could not see my way to becoming connected with the management of the bank, that an understanding was then come to, that if I would agree to act, the whole affairs of the bank should be thoroughly investigated before the next annual meeting, and a statement made to the directors as to the actual position in which the bank was found to be. My conviction is, that up to that moment the directors had no idea that there was on the books such an amount of bad debts; and I also believe that up to the end of May, when I had the first meeting with them, they did not believe that there was so large an amount as I then reported on the books.

Chairman—You have said that your estimate of the L.573,000 was on the supposition that the current business was good?—Yes.

Did that current business include the acceptances discounted for Macdonald's, Monteith's, Wallace's, and Pattison's?—It did.

So that, irrespectively of those four houses, which now appear to have absorbed more than the whole capital of the bank, you had then very nearly approached the limit of loss which, according to the deed of settlement, *ipso facto*, dissolves the copartnership of the bank?—Yes.

And of that state of things, so far as you can judge, the directors were in a state of almost entire ignorance?—I believe so.

Have you any reason to suppose that Mr Donald Smith was as uncommunicative to the directors as his successor appears to have been?—I think so; I gather so from letters which I have found in the bank's repositories since Mr Taylor left, which were handed to me at the time when he left the bank in October. Perhaps this is a proper time to state that so far as the liquidators of the bank are concerned, they have every desire to give the Committee the fullest information regarding the position of the bank, but they think it right to state to the Committee that much of the information which I have already given, and which I may be called upon to give hereafter, is of such a nature as may give parties who have already commenced actions against the bank, opportunities of prosecuting those actions with greater efficiency than they otherwise would; in short, that this evidence is arming the opponents of the bank. We therefore wish that the Committee should take upon themselves the responsibility of asking for those disclosures, which we think that we ought not voluntarily to make.

Are there any other matters which you are prepared to state to the Committee with regard to the Western Bank of Scotland?—I think one very striking feature in the position of the Western Bank of Scotland at its stoppage, was the large amount advanced to partners, not on the security of the stock of the bank exclusively, but to parties who happened to be partners, in some cases without any other security, in other cases with additional security.

Mr G. C. Glyn—You say partners, not directors?—Not directors. The amount advanced to parties who were partners was L.988,487. The parties to whom that money was so advanced, held 7626 shares. I should not like to infer from these figures that this money was wholly advanced to these parties, simply because they happened to be partners of the bank; but at the same time I have no doubt that that had a certain weight in inducing the management of the bank to make those advances; and it struck me at the time of the stoppage, and when those figures came before me, that it was rather a remarkable

feature in the system, and that it was a thing which this Committee ought to know. Another feature was, the system of opening policies of insurance upon the lives of debtors; or, of taking as security for debts already incurred policies upon the lives of the debtors. I find that there are policies amounting in all to L.347,521, held by the bank in that position.

Mr G. C. Glyn—Were those for accounts in which debtor balances had occurred previously, or were they advances made upon the policies in the first instance?—I do not think the advances were ever made upon the policies in the first instance. I think the debts were incurred, and the policies afterwards taken to cover the debts. I do not recollect any case of an advance being originally made upon the security of a life policy.

Mr Spooner—Were many of those policies old existing policies, or were they made generally upon the application of the bank?—In many cases they were made upon the application of the bank with the view of covering a debt, taking the party bound for the payment of the premium with additional security if it could be obtained.

Were there many old existing policies transferred as security; those would be worth money?—A good many. The policies were valued at the date of the suspension at L.70,000, and we expect to realise more when we come to sell them.

Mr Wilson—Who paid the premiums?—In many cases the bank paid the premiums, when the debt had been incurred before the policy was taken out.

Were the premiums debited to the parties?—Yes.

They constituted an asset of the bank?—Yes.

Mr G. C. Glyn—Can you explain to the Committee the working of the New York account; you gave us some particulars of it at the beginning of your examination; but you did not go into the details of the working of it?—It is a little complicated, but I think I can make it intelligible. I have been in America recently, and therefore understand it better than I did before. It appears to me that, in many cases, the credits established by Lee upon the Western Bank have been modes of raising money for the purpose of constructing American railways, and for speculation in stocks, in New York.

What was the process under which that was done; were bonds taken from these railway companies in the first instance by Lee & Co.?—A party came to Lee & Co., and said, "I want to raise a certain sum of money." After negotiating and arranging the security which was to be lodged, Lee & Co. gave him a letter addressed to the Western Bank of Scotland, stating that they had opened a credit upon the bank in favour of the party named in the letter, and requesting the bank to honour the drafts of that party in virtue of that letter of credit. The view which I have all along entertained of the position of Lee & Co. as regards the Western Bank, was that the bank were under no legal obligation to act upon this credit; that it was a mere request; that the Western Bank had never given to Lee & Co. an authority which would bind the bank upon the issuing of this letter of credit.

Who drew upon the Western Bank; the individual to whom the credit was given, or Lee & Co.?—The individual to whom the credit was given—or sometimes he indorsed the letter of credit to Lee & Co., who then drew upon the bank themselves, and sold the bills in the exchange market.

These bills so drawn upon the Western Bank matured at the expiration of 60 or 90 days?—As the case might be.

How did Lee & Co. supply the Western Bank with the funds to meet them?—The parties who were bound to provide for those drafts either paid Lee & Co. the money, or the credits were renewed.

The bonds would not be immediately available?—The credits were not in all cases granted upon bonds; they were in some cases upon bills receivable; a legitimate portion of this business was done on account of traders in New York, who have connection with this country, and who came over to buy goods here; it was a mode by which they made their payments satisfactorily to the parties from whom they purchased on this side.

Those transactions were very much the same as are carried on by all the American houses?—Yes. Take the case of a wholesale draper in New York; he comes over to buy goods: before leaving New York he goes to Lee & Co., and gets a letter of credit for L.20,000 or L.30,000, as the case may be, upon the Western Bank. He comes here and buys his goods, and he indorses his letter of credit to Copestake & Co., or some similar house on this side from whom he purchases, who draw in virtue of the credit. On the other side, he has, in the meantime, realised his own customers' bills to secure the payment of the credit at maturity. He pays the money to Lee & Co. in time for them to remit to the Western Bank, to enable the bank to retire their acceptances.

The local bills held by Lee & Co. furnish them with funds by which they buy exchange upon London, which they transmit to the Western Bank?—Yes; Lee & Co. not collecting those bills, but the parties themselves taking the bills out of Lee & Co.'s hands, and furnishing them with the sum necessary to buy the exchange upon London.

What was the advantage which the Western Bank had in those operations? — The advantage was a commission of something like one-half per cent., I think.

For that commission they ran all the risk, and came under certain cash advances also? —We hold that, according to the correspondence between Mr Taylor and Mr Lee, Lee & Co. are bound to relieve the Western Bank of the loss upon the account to the extent of a half.

Mr Wilson—In point of fact, the transactions between the American house and the Western Bank did not place the Western Bank in funds in any way, but the Western Bank were generally in cash advance upon that account?—I think the Western Bank have been for years back in cash advance upon that account.

Mr Hope Johnstone—Was the same system of mystification carried on with regard to the officers of the bank on the part of Mr Taylor; were they kept in ignorance as well as the directors?—I think I may say, that the officers of the bank were so kept. The officers of the bank connected with the banking business were the secretary, cashier, and accountant; neither of these parties interfered, or was allowed to interfere with the discount of the bills; all bills brought to the bank were discounted by Mr Taylor. When I use the word "discounted," I mean that their discount was authorised by him.

So that when it is stated by one of the officers of the bank to one of the agents, "You may tell your friends that there is no good cause to be alarmed," as late as the date of the 10th of October, 1857, he probably knew no details upon the subject?—Certainly, by the 10th of October the whole of the officers of the bank must have become aware of the fact of the very marked fall in the price of the stock in the market; and at that time, in consequence of the marked fall, there were very frequent applications made to the officers of the bank, to myself on many occasions, by agents in the country, and by neutral parties, as to the advisability of buying stock. The course which I followed, and I suppose the other officers would follow the same, was to refer the parties to a stockbroker, and to decline giving any information or advice.

Mr Hankey—Are we to understand that you considered the arrangement respecting the drawing in America as very advantageous, or that it was regarded as very advantageous, to the bank?—No; Mr Taylor, I think, considered it advantageous to the bank, but, so far as I am concerned, I have considered it all along an undesirable arrangement.

When Mr Taylor considered it an advantageous arrangement, do you suppose that he had any idea of anything except the commission?—I do not know of any other advantage which he could regard the bank as having except the ½ per cent. commission. So far as the Western Bank knew, Lee & Company got 1 per cent. upon the issue of those credits, and they divided it between them.

Mr Wilson—To about what amount in the year were those advances?—I am not sure that I can now state that; I shall be able to state it.

A very large amount?—A very large amount; at the date of the suspension of the bank, there were acceptances current to the extent of L.268,644.

Those were two months' bills?—Chiefly two months' bills, and the Western Bank were under obligations to accept bills to the further extent of L.49,200, making together about L.317,000.

That amount multiplied by six would represent about the total amount per annum?—Something about that.

One per cent. would be a very large sum of money?—One-half per cent. was a very large sum of money, and added very materially to the profits, but it was a very small sum of money contrasted with the risks which the Western Bank ran, and most of the transactions I now consider to have been improper for any bank in this country to go into.

You stated, in the early part of your evidence, that upon the failures taking place in the month of October, a certain discredit fell upon the bank, and that there was a run for a few days, and less or more continued subsequently upon deposits?—Yes.

And that there was a small demand for gold?—There was a slight demand for gold for a ew days .

At that time was the run confined to the deposits, or had you any run for the payment of notes?—I may say that there was no run for the payment of notes all through. There may have been a few notes presented, but I should certainly limit the demand for gold in exchange for notes to L.5000 or L.6000; I do not think it would exceed that.

In point of fact, the whole pressure upon the bank at any time was in respect to its deposits, and not in respect to its circulation?—Decidedly; there was no pressure in respect to its circulation; so much so, that during the last two days for which the bank was in operation, I do not think L.1000 was paid away in gold at the head office. The whole money withdrawn was taken away in notes, and the consequence was that on the afternoon of the 9th of November, when the bank stopped, there was a very large amount of notes in circulation, something about L.720,000.

Then the depositors became uneasy about the security of their deposits, went to th bank, and took the bank's notes?—Yes.

Did they pay them immediately into other banks?—Yes.

They thereby indirectly obtained payment through the other banks?—Precisely so; they transferred their deposits from the one bank to the other.

Did many of the depositors demand gold?—Almost none; during the week after the 10th of October there was a slight demand for gold, and in the country, I believe, there was a very slight demand for gold; I think I can show how that operated, by some figures which I have here, more clearly than by any description which I can give. This is a statement of the amount of gold and silver held at the head office and branches of the Western Bank at the close of business each Saturday during the five weeks from the 3d of October to the 7th of November, 1857: on the 3d of October the total gold and silver was L.201,631; on the 10th, L.201,554, that was the day on which Monteith and Macdonald stopped; on the 17th of October (and it was during this week that any run of any moment took place), the total amount had decreased from L.201,554 to L.165,905, so that we had paid away something like L.36,000 in coin in that week; on the following week, ending the 24th of October, it had still further fallen to L.161,000, showing only L.4000 in coin to have been paid away in that week; on the week ending the 31st of Oct. the total amount was L.159,000, being about L.2000 less; and on the 7th of November it was L.156,000; but the total sum paid away in gold and silver between the 10th of October, before Monteith and Macdonald stopped, and the 7th of November, the Saturday before the Western Bank stopped, was only L.44,000.

Have you any means of telling the Committee how much the deposits were reduced during that time; what was paid away as a run upon the deposits?—On the 9th of October the deposits amounted to L.6,583,233; that is a date anterior to the demand for deposits: and on the 9th of November they amounted to L.5,306,569.

That is a reduction of more than L.1,000,000 in deposits?—A reduction of about L.1,280,000.

And there was a reduction of bullion of only L.44,000?—Yes.

Therefore those deposits were repaid in the form of your notes, which notes came back through the other banks?—Which notes came back through the exchange; we were crippled solely through the exchange, not from any direct demand for bullion at the offices of the bank, but through the action of the exchange upon the Western Bank.

Then the form was this, that the depositors withdrew from you your notes, which they paid into other banks, and which the other banks brought against you in the exchanges, and for which they instituted a claim upon you to be paid in London?—Precisely so.

But so far as regards the demand for gold, while you had a decrease of deposits to the extent o L.1,200,000 from a run, you had only a decrease of your coin to the extent of L.41,000?—Precisely so.

Was it chiefly the small deposits which were withdrawn?—No, there were a good many large deposits; I think that during the week succeeding the 10th of October, after the failures of Monteith and Macdonald, the deposits withdrawn were generally small; but during the week before the stoppage of the bank the deposits were, to a very great extent, the balances on current accounts kept by traders in Glasgow, and of considerable amount.

Was there much drain in the provinces upon the balances?—Not a very large amount certainly; a wonderfully small amount, in proportion to the total deposits, was withdrawn from the country.

I think you said that at the branches there was a very little demand for gold; almost none?—Almost none.

Mr Weguelin—You stated that the exchanges of notes were almost, as a rule, against the Western Bank?—They were.

I think you stated that they were about £3,000,000 in the course of the year?—On the average of the last six years they have amounted to above £3,000,000.

That is about £50,000 to £60,000 weekly?—Yes.

Can you account for the exchanges of notes being always against the Western Bank?—I have tried to account for it in two or three ways, and I think I can do so satisfactorily; I think the Western Bank perhaps discounted as largely London bills as any other bank in Scotland, and thereby they provided London money to meet those adverse exchanges, while the proceeds of those London bills when discounted found their way into other banks, and came against the Western Bank in the exchange; they were getting London bills and giving in exchange Scotch money. That accounts for it to a certain extent; but I think it is accounted for to a still further extent by the fact, that during the last two or three years a large proportion of the bills discounted by the houses to which I have referred were renewals, and while Monteith and Macdonald, and the whole of those houses, came to the Western Bank and got their renewals discounted, and got Western Bank notes for the proceeds, they went to other banks and bought letters of credit upon London in favour of the acceptors, which were sent up to enable those acceptors to retire the bills; consequently the Western Bank's notes came against them in the exchange

through the discount of those bills. I think that that accounts for a very large proportion of the adverse balances.

We have information that the Western Bank managers discounted those accommodation bills of Monteith and Macdonald for a considerable period, with the full knowledge that they were accommodation bills; I put that question in order to ascertain whether, for the purpose of placing funds in London, or of getting London paper, the managers of the Western Bank felt themselves called upon continually to discount those bills?—I should say not; I think, first of all, the statement is wrong that those bills were discounted with the knowledge that they were accommodation bills; on the contrary, I am inclined to think that Mr Taylor was misled, and that he believed originally that those bills represented value.

You are aware that the persons on whom the bills were drawn so stated in many cases, that it was known that they were not to be called upon to pay the bills?—I am not aware that there is any foundation for such a statement so far as the Western Bank is concerned; I do not believe it.

Mr Wilson—Have you any reason to believe that Mr Taylor was aware that these bills were renewals, or do you believe that he thought they were fresh transactions?—I am perfectly aware that Mr Taylor knew that they were renewals for some time before the stoppage of the Western Bank, and before the stoppage of Macdonalds' and the other houses. Mr Taylor saw of course the renewals going out; he had before him, when he discounted a mass of bills, a statement of the bills drawn upon each acceptor, and he distinctly traced the renewals immediately; it was quite understood that they were renewals.

If they were renewals, what occasion was there for the indirect mode of getting the notes, and going to another bank for the purpose of retiring them?—It is difficult to say.

In point of fact, the sums had become so large that Mr Taylor felt a great objection to stop them, knowing that if he did not discount those renewed bills, the consequence must be the suspension of the house?—Taking Macdonalds' as an instance, I may say what I myself knew regarding them. After the month of August, during September, while I was meeting them daily and endeavouring to get from them a statement of their affairs, preparatory to verifying it, they, on more occasions than one, repeated the assurance that they were undoubtedly solvent; I have here a detailed statement, or abstract of their affairs, holograph, which one of the Messrs Macdonald handed to me I think about the 15th of September, from which it would appear, according to their own account, that they owed £407,640, while their assets amounted to £414,738. On the 29th of September they sent an amended statement showing that their debts were £425,300, while their assets were £420,000, and it gradually dwindled down till it reached its present position.

Mr G. C. Glyn—How did they disguise all those accommodation bills in that statement?—By this time we were perfectly frank with each other; on the 8th of September the Wallaces had informed me of the position of their affairs, and that disclosure showed me very conclusively that the Macdonalds were pursuing the same course, for the Wallaces were drawing upon the same parties in England as the Macdonalds; after I discovered that the Wallaces were adopting this plan, the Macdonalds continued to disguise it for a week or so, until they found from some of the parties in London upon whom they and the Wallaces had drawn, that their bills to the Wallaces were being dishonoured in London.

Mr Weguelin—Many of these bills were Macdonald's bills, having Monteith's name upon them, and Monteith's bills with Macdonald's name upon them, were they not?—I think not.

I understand you to state, in a former part of your evidence, that the same parties were drawn upon?—Yes; the same parties in London were drawn upon by Macdonald and by Wallace; Macdonald never drew upon those parties in London payable to the order of Wallace, or *vice versa*.

Were those parties also people of straw; when the accommodation bills, equally in the case of Macdonald and Monteith, were drawn upon the same person, was that person a man of straw?—The similarity was in the case of Macdonald and Wallace; the parties were men of straw, undoubtedly.

It is rather a curious coincidence that these two houses should both draw upon the same men of straw, and never draw upon each other?—That is accounted for by the fact that the negotiations for the use of the names of these parties were conducted through a man in London named Baines, who was the centre of the whole circle; he negotiated with A., B., C. and D. throughout London for the use of their names, and I have understood that the Wallaces and the Macdonalds never came into direct contact with them.

Mr Wilson—When those accounts were furnished to you, you say that the operation to you was perfectly plain?—Yes.

And that you knew at that time of the existence of those accommodation bills?—Yes.

In what way are the accommodation bills entered at a late date?—They call them bills payable, though in the form of bills receivable.

They admit a liability upon them?—Their statement to me was, if I recollect the figures aright, that the bills which they had drawn in this way for their own accommo-

dation amounted to something like £235,000; they gave me a return of them in their own hand-writing. The Royal Bank held about £9000; the Commercial Bank about £30,000; the City of Glasgow Bank about £52,000; and I rather think that the Western Bank must have held £235,000. In addition to those sums, there were bills of that same class discounted in London to the extent of about £30,000 with various bankers.

Were those bills all payable in London?—Yes.

They were chiefly drawn upon people in England?—Altogether in England; in London and Nottingham, I think.

They were not Scotch bills?—They were not. Macdonalds had one or two parties in Scotland who accepted for them; I do not think any party accepted for a commission.

Then they were what are known in Scotland by the name of London bills?—Exactly so.

For which there is always a much greater facility in discounting in Scotland than in discounting local bills?—Certainly, they feed the London account.

Mr Cayley—Do you consider that there was any general unsoundness in the trade in Glasgow when these failures began?—I think not.

This was an exceptional case altogether?—Yes.

REPORTS ISSUED BY THE DIRECTORS OF THE WESTERN BANK FROM 1854 TO 1857 INCLUSIVE.

Twenty-Second Annual Report by the Directors of the Western Bank of Scotland to the Proprietors, 28th June, 1854.

The directors have called this meeting in the usual manner, and in accordance with the requirements of the deed of copartnery, for the purpose of submitting to the proprietors a report on the affairs of the bank, and the result of its business for the past year.

The great activity and extension of trade, alluded to in last year's report, as creating an increased demand for money and higher rates of interest, continued for some time with little interruption; but circumstances subsequently occurred tending to check commercial enterprise and disturb our monetary system.

The most important of these were, first, the deficiency of our harvest, compelling us to become importers of foreign corn to a considerable extent, thus causing a serious drain on our bullion; and secondly, the state of suspense in which we were so long kept by what is called "The Eastern Question," and which has now terminated in war.

The effect of these events upon money has been to render it dearer in this country than it had been for several years back, and consequently to afford a very remunerative return for the employment of capital.

The bank has naturally participated in these advantages, and from its large and growing means fully occupied, and representing an amount of operations far exceeding any previous year, has benefited in a correspondingly large degree.

The net profits of the past year, after payment of all expenses, and providing for bad and doubtful debts, are	£160,948	1	7
Out of which the directors, with a due regard to the rights of present proprietors, as well as the future welfare of the bank in maintaining an equable position, propose to pay a dividend at the rate of 8 per cent. per annum, without deduction of income tax. The dividend on the capital of £1,500,000 requires ..	120,000	0	0
Leaving a surplus of	£40,948	1	7

to be carried to the rest, which at last annual balance was £110,000, and will therefore now stand at £150,948 1s 7d.

The directors trust that these results will be considered satisfactory by the proprietors: and they have the pleasure of assuring them that the business of the bank in all its departments is steadily increasing.

A vacancy occurs in the direction from Thomas Buchanan, Esq., going out of office by rotation. The directors recommend Thomas Douglas Graham, Esq., of the old and highly respectable firm of Messrs T. D. Douglas & Co., Merchants in Glasgow, a gentleman of active business habits and education, to fill the vacancy.

The dividend will be payable at the bank and branches on and after Thursday, the 13th day of July, and Thursday, the 28th day of December next, free of income tax.

The directors conclude by appealing to the proprietors and customers of the bank for their support in extending its connexions and promoting its interests.

(Signed) THOS. DUNLOP DOUGLAS.
THOS. BUCHANAN.
THOS. M'CALL.
JAMES DUNLOP.

Twenty-third Annual Report by the Directors of the Western Bank of Scotland to the Proprietors, 27th June, 1855.

The directors have called this meeting in the usual manner, and in accordance with the requirements of the deed of copartnership, for the purpose of submitting to the proprietors a report on the affairs of the bank, and the result of its business for the past year.

Although our own harvest last year was a good one, yet being deprived of our former sources of supply, in consequence of the deficiency in the corn crops of the United States and Canada, and of the war in which we are engaged with Russia, prices of breadstuffs ruled excessively high, which materially impaired the consumption of our manufactured goods, and therefore injuriously affected that most important branch of trade, the home trade of the country.

During the greater part of the year, money continued in fair demand, and until very recently, at remunerating rates; but almost suddenly, and notwithstanding a heavy war expenditure, large loans, both for our own and foreign governments, increased taxation, dear corn and dear cotton, circumstances which might naturally have been expected to produce a contrary effect, money has become abundant, and as cheap as at any time for the last two years.

This may have arisen partly from the favourable state of foreign exchanges and large arrivals of specie, and partly from the curtailment of mercantile transactions induced by the war and the uncertainty of its issues, as well as by the unsatisfactory condition of several branches of our trade. Whether this state of things will last mainly depends on the result of our coming harvest.

The bank has felt the effect of these varied influences, as they affected the operations and interests of its numerous and increasing body of customers, and its enlarged means have been fully, actively, and beneficially employed, as will be seen by the following statement:—

The net profits for the past year, after payment of all expenses, and providing for bad and doubtful debts, are, ...	£153,892	0	4
Out of which the directors propose to pay a dividend at the rate of 8 per cent. per annum, without deduction for income tax. This dividend on the paid-up capital of one million and a half will require, ...	120,000	0	0
Leaving a surplus of	33,892	0	4
To be carried to the "rest," which at last annual balance was ...	150,948	1	7
And will now therefore stand at	£184,840	1	11

The directors venture to hope that the proprietors will be pleased with this statement, and with the satisfactory way in which the general business of the bank is going on.

A vacancy occurs in the direction, from Alexander Smyth, Esq, going out of office by rotation. The directors recommend Thomas Buchanan, Esq, of Scotston and Wellshot, who, on a former occasion, served you with zeal and ability, to fill the vacancy.

Since last annual meeting, the prolonged and lamented illness of Donald Smith, Esq., and his consequent absence from this country, and inability to give attendance at the bank, induced him to resign his office. In consideration of his long and faithful services, and of the high regard in which they hold him, the directors have granted him a retiring allowance, and nominated him an honorary director of the bank. The directors feel assured that the proprie-

tors, in unison with themselves, deeply regret the cause of Mr Smith's resignation, and will cordially approve of what they have done on the occasion.

The directors have appointed Mr Taylor to succeed Mr Smith as manager of the bank.

The dividend will be payable at the bank and branches on and after Thursday, the 12th day of July, and Thursday, the 27th day of December next, free of income tax.

In conclusion, the welfare and prosperity of the bank depend much on the friendly co-operation of its customers and shareholders. The directors therefore call on them for their active influence and support.

(Signed) THOS. M'CALL.
JAMES DUNLOP.

Twenty-fourth Annual Report by the Directors of the Western Bank of Scotland to the Proprietors, 25th June, 1856.

The directors have called this meeting in the usual manner, and in accordance with the requirements of the deed of copartnership, for the purpose of submitting to the proprietors a report on the affairs of the bank, and the results of its business for the past year.

Our harvest last year was about an average one, but the same disturbing causes affecting supplies from other countries, which previously existed, continued to operate, and prices of breadstuffs remained high until the advent of peace, when a sudden depreciation occurred, entailing heavy loss on holders, and involving numerous parties in the trade in serious embarrassments.

The abundance and cheapness of money happening at the date of our last report, and then noticed as anomalous, and at variance with the circumstances in which the country was placed, proved, as was anticipated, only temporary. The causes then at work very soon produced their natural effects, and money rapidly became scarcer and dearer than it had been for several years past. The continued drain of bullion from the Bank of England, led to measures of great stringency, in order to prevent the recurrence of a monetary crisis similar to that of 1847. Discount rose to an exorbitant rate, largely increasing banking remuneration, but jeopardising and injuring the mercantile and manufacturing interests, by checking enterprise, and eating not only into profits but capital.

While therefore the progress of the bank has been most satisfactory, and the results of its business eminently successful, the past year has not been without its anxieties and difficulties.

The net profits of the past year, after payment of all expenses, and providing for bad and doubtful debts, are	£166,110	15	10
Out of which the directors propose to pay a dividend at the rate of 9 per cent. This dividend on the paid-up capital of a million and a half requires	135,000	0	0
Leaving a surplus of	£31,110	15	10
To be carried to the "rest," which at last annual balance was	184,840	1	11
And will now therefore stand at	£215,950	17	9

The directors will state briefly the grounds on which they have thus acted, after the most anxious and mature deliberation. While admitting it to be their paramount duty to maintain the stability of the bank and the permanent value of its stock, by ensuring, as far as possible, the payment of an equable dividend, they conceive this primary object effectually secured by the position which the bank has now attained, and the power it has acquired in the amount of its capital, circulation, deposits, and rest, forming an aggregate of nine millions sterling, and they feel bound to recognise the rights of existing proprietors, especially those possessing merely life interests, or solely dependent on present income, to participate in the profits as they are made, and declared from year to year. The directors do not conceal that they believe we are on the eve of a change in the value of money, and that the high rates of last year are not likely soon to occur again. But calculating as they are entitled to calculate, on a fair margin always subsisting between the borrowing and the lending rate, they confidently rely on being able to sustain the rate of dividend now proposed, and therefore do not hesitate to recommend its adoption.

A vacancy occurs in the direction by James Baird, Esq., M.P., going out of office by rotation. The directors recommend Robert Baird, Esq., of Auchmeddan, present Lord Dean of Guild of the City of Glasgow, and a member of the firm of Messrs Wm. Baird & Co., to fill the vacancy.

Shortly after our last annual meeting, the death of Donald Smith, Esq., late manager of the bank occurred, an event deplored by us all, and now noticed here to evince our respect to his memory and sympathy with his bereaved family and friends.

The dividend will be payable at the bank and branches on and after Thursday, the 10th of July, and Wednesday, the 24th of December next.

The directors conclude by thanking the proprietors and customers of the bank for their influential support heretofore, and call on them to continue and redouble their exertions.

(Signed) T. GRAY BUCHANAN.
THOMAS M'CALL.
JAMES DUNLOP.
GEORGE BURNS.

Twenty-fifth Annual Report by the Directors of the Western Bank of Scotland to the Proprietors, 24th June, 1857.

The directors have called this meeting in the usual manner, and in accordance with the requirements of the deed of copartnership, for the purpose of submitting to the proprietors a report on the affairs of the bank, and the result of its business for the past year.

Although our own harvest last year was not an abundant one, it yet probably reached to nearly an average, and our usual sources of supply from other countries being open, breadstuffs were maintained at moderate prices, and no excessive variations occurred. In many of the staple articles of produce, such as sugar, coffee, cotton, and silk, &c., a very considerable rise in value took place; yet trade does not appear to have been generally checked thereby, and labour being well employed, and largely remunerated, the condition of our population has been on the whole comfortable and prosperous.

The unceasing efflux of silver to the East, the consequent drain of gold for its purchase, as well as to supply the financial wants of the continent of Europe, especially those of France, and the natural demands of our extended commerce, combined with the enhanced cost of commodities, have all contributed to make and keep money scarce and dear, and high rates of interest have been maintained during the whole of the past year.

While, therefore, the discount and loan departments of the bank have been very remunerative, a relatively high rate on deposits has necessarily been allowed, and the profit and loss account thereby materially affected.

The net profits of the past year are ..	£145,826	5	6
Out of which the directors propose to pay a dividend at the rate of 9 per cent. per annum. This dividend on the paid-up capital of one million and a half requires	135,000	0	0
And to carry	10,826	5	6
To "the rest," which at last annual balance was	215,950	17	9
And will now therefore stand at	£226,776	3	3

Two vacancies in the direction occur; one by the lamented death of Robert Baird, Esq. of Auchmeddan, and the other by George Burns, Esq., going out of office by rotation. The Directors recommend James Burns, Esq., merchant, Glasgow, who has pre-

viously ably and faithfully served you, to fill one of those vacancies; and William Euing, Esq., insurance broker, a well-known and much respected citizen of Glasgow, to fill the other.

A committee of the House of Commons on "the Banking and Currency Acts" of the empire is now sitting. The directors, in co-operation with other banks similarly circumstanced, are taking the necessary steps for endeavouring to obtain such alterations and improvements in the acts relating to Scotland as may be considered desirable and practicable, and particularly for securing equal privileges with those enjoyed by chartered banks.

The dividends will be payable at the bank and branches on and after Thursday, the 9th of July, and Thursday, the 24th of December next.

In conclusion, the proprietors and customers of the bank are earnestly solicited to lend all their influence and support in promoting and extending its business.

(Signed) G. Burns.
James Dunlop.
T. Gray Buchanan.
Thos. M'Call.

CORRESPONDENCE OF THE WESTERN WITH THE EDINBURGH BANKS.

MINUTES OF THE DIRECTORS OF THE WESTERN BANK OF SCOTLAND; MINUTES OF THE EDINBURGH BANKS; AND CORRESPONDENCE REGARDING ADVANCE TO THE WESTERN BANK IN OCT., 1857, &c.

1.—*Minute of Directors of Western Bank, Oct.* 17, 1857.

The Directors having taken into consideration the alarming financial position of this bank, consequent on Mr Taylor, the late manager's mismanagement of the bank's affairs, deputed James Dunlop, Esq., one of their number, to go to Edinburgh and ask assistance from the Bank of Scotland, in the present emergency, explaining to Mr Blair, the treasurer, at same time the state of the Western Bank.

2.—*Minutes of Directors of Western Bank, 21st October*, 1857.

The Directors authorise Mr Director Dunlop and Mr Fleming to proceed to Edinburgh, and explain to the chartered banks the alarming position of the Western Bank, caused by the late heavy failures of houses in Glasgow, largely indebted to that bank, and to endeavour to obtain temporary assistance.

3.—*Letter, Mr Dunlop and Mr Fleming to Mr Blair, Treasurer, Bank of Scotland.*

Edinburgh, 21st October, 1857.

Sir,—We beg, on behalf of the Directors of the Western Bank of Scotland, to express in writing what Mr Dunlop has to-day and on a former occasion communicated to you verbally.

The recent failures in Glasgow occurring at a period of almost unprecedented pressure in the money market, and the consequent locking up of the funds of the bank, combined with a partial withdrawal of our deposits, render it necessary for us to ask the assistance of the Bank of Scotland, and through you, if you shall consider that expedient, of the other chartered banks, and with that view the proposal which we desire to submit for your consideration is, that you should establish a credit in our favour to the extent of half a million, on the security of undoubted commercial bills, to be deposited with you to such an amount as may be considered necessary for your complete security. While we state the credit at half a million, so as to protect ourselves against the consequences of any further withdrawal of deposits, we have no reason to expect that more than perhaps £100,000 or £200,000 may be required, and that only for a temporary period.

On the part of the Board of Direction, it is right that we should frankly say that they are fully alive to the recklessness of the past management of the Bank; that its credit has been strained to the extreme point; and that, in the attempt to make large profits for the proprietary, unwise and undue risks have been run. Feeling all this, the Directors have entered on a course of management which (although the present commercial crisis renders curtailment difficult of speedy accomplishment) will eventuate in the establishment on a secure basis of a business of a safer and more legitimate, though certainly of a more limited description, than has for many years been conducted by the Western Bank of Scotland.

It would be useless for us to enlarge on the results of any wide spread want of confidence in an establishment so extensive as the Western Bank, and equally useless to point out to you that the interests of every bank in Scotland, indeed of the whole commercial community, require the maintenance of its credit.

Suspension of payments, even for a single day, would affect most disastrously the whole kingdom, and even a sudden contraction of the banking accommodation, hitherto afforded by the Western Bank, would bring to bankruptcy innumerable mercantile concerns who are to a considerable extent dependent upon them, thereby throwing out of employment large masses of the working-classes, and producing serious discontent and misery at a period when it is so very desirable that the population of this country should remain undisturbed.

It is of the utmost consequence that your decision on the proposal now submitted should be made forthwith.—We are, &c.

(Signed) James Dunlop.
J. S. Fleming.

4.—*Mr Blair's Memorandum, 22d October*, 1857

Read by Mr Simson, Secretary of the Bank of Scotland, to Mr Fleming in Glasgow.

To see Mr Fleming and one of the Directors; to state that it is impossible to arrive at any opinion regarding the result of the application to the banks, judging from the meetings which took place yesterday; therefore it has been considered proper to communicate the uncertain state of the negotiation, in order that the Directors may not place any reliance for aid in the quarter alluded to. They should lose no time in considering how they may make their other resources available, and particularly their London correspondents. Applications proceed better simultaneously.

The action of the Bank Charter Acts throws important cases like the present very much under the consideration of Government and the Bank of England. To bring to Edinburgh the contract of copartnership

to transmit commercial bills in security for an adverse exchange.

5.—*Mr Fleming to Mr Blair.*

Western Bank of Scotland, Glasgow,
22d October, 1857.

Dear Sir,—I have summoned the directors to meet this evening, when I shall submit your communication, for which I beg to thank you. The state of our London accounts is so far satisfactory that to-morrow's exchange will be amply provided for.

In the meantime it has occurred to me that it would both assist us, and tend to allay any feeling of mistrust in country districts, where the various banks to discourage the exercise of any influence on the part of their agents for the withdrawal of deposits from us, and to instruct their agents to soothe rather than to excite any uneasy feelings which may exist in their respective districts. The undue competition which has been produced by the establishment of branch banks has engendered much jealousy among the different agents, and at a time like this the agents of other banks make use, naturally enough, of the opportunity afforded to them to influence withdrawals without looking to the effects which a continuation of these withdrawals must necessarily produce, both on the credit of this bank and on public confidence in the whole system.

I admit the delicacy of pressing a course of forbearance on the banks, and also the difficulty of communicating, without misconstruction, any instruction on the subject to their various agents. If, however, my idea is a sound one, your own great experience will readily suggest a way to work it out; and I would leave you to submit or withhold it at the meeting to-morrow, as you may judge most expedient.

I believe that the City of Glasgow Bank, of their own accord, issued a circular last week instructing their agents to discountenance all transfers of deposits from this bank.—I am, etc.,

(Signed) J. S. Fleming, Manager.

Alexander Blair, Esq., Treasurer,
Bank of Scotland.

6.—*Minute of Directors of Western Bank*, 23d *October*, 1857.

Mr Fleming and Mr Dunlop reported that agreeably to the authority in the minute of 21st instant, they went to Edinburgh, and had an interview with the managers and directors of the chartered banks, and explained to them the position of the Western Bank, requesting a certain amount of pecuniary assistance on security; that after some deliberation the chartered banks declined in the meantime to comply with the request, and recommended that application for assistance should be made to the Bank of England, and if unsuccessful there, the result to be communicated to the Edinburgh banks.

Whereupon the directors resolved that a deputation, consisting of Mr Buchanan and Mr M'Call, directors, along with Mr Fleming, should immediately proceed to London, explain the bank's position to the Union Bank of London, and endeavour to get their aid, failing which to apply to the Bank of England for that purpose, and otherwise to do in London what to the deputation may appear to be for the interest of the Western Bank in this emergency.

7.—*Minute of Edinburgh Banks.*

Edinburgh, Monday, 26th Oct., 1857.

Resolved,—Upon consideration of the proposal of the Western Bank for an advance to that bank of £300,000, that the advance be given in equal portions by the banks, coupled with the condition that the directors of the Western Bank shall dissolve and wind up the company, and also that the whole advance shall be covered by a deposit of satisfactory commercial bills, not less in amount than £750,000 and that the directors, or a sufficient number of responsible shareholders, to the satisfaction of the banks, undertake personal responsibility by bill or bond for the advance.

8.—*Minute of Directors of Western Bank*, 27*th Oct.* 1857.

Mr Dunlop reported to the Directors, that in obedience to a telegraphic message received from Mr Fleming in London yesterday afternoon, announcing the refusal of the Bank of England to make any advance to the Western Bank, and requiring Mr Dunlop immediately to proceed to Edinburgh to meet the chartered banks on the subject, he went there by the quarter-past four train, and, after a meeting with the managers and directors of these banks, they handed to him an extract of their minute dated yesterday, and now laid on the table, to the effect that they, the chartered banks, would agree to make a certain advance to the Western Bank, on condition that it should wind up its business. Mr Dunlop further reported that he stated to the chartered banks that he must communicate the resolution in question to the directors of the Western Bank before he could say anything further on the subject.

Whereupon the directors unanimously resolve to decline complying with the condition of winding up the bank's affairs, conceiving that they have no authority to accede thereto, and authorise Mr Dunlop to proceed immediately to Edinburgh, and communicate this resolution to the Edinburgh banks.

9.—*Memorandum by Edinburgh Banks*, 27*th October*, 1857.

That the meeting adhere to the resolution of 26th inst. They do not desire to press the directors of the Western Bank with regard to winding up the bank as to the point of time, and that they would merely take the directors or proprietors as a guarantee for the sufficiency of the bank's undertaking for the loan granted.

10.—*Minute of Directors of Western Bank*, 27*th October*, 1857.

The directors, considering the urgent state of the bank's affairs, and the necessity of the Edinburgh banks affording immediate assistance, resolve that a deputation shall proceed to Edinburgh to-morrow forenoon, accompanied by the managers of the Clydesdale and City of Glasgow Banks and some of their influential directors (to whom the Western Bank's condition has been confidentially explained), and impress on the chartered banks the necessity of prompt and efficient aid to this bank, failing which, disastrous effects must follow, not only to themselves, but to the country at large, by the stoppage of the Western Bank, which will then inevitably take place.

11.—*Minute of Directors of Western Bank*, 28*th October*, 1857.

It was resolved that the register of transfers for shares of this bank sold from and after two o'clock this day shall be closed till further notice.

The directors have adopted this course in order that the public may have the full security which the present strong proprietary of the bank affords. Notice of this resolution to be immediately sent to the chairman of the Glasgow Stock Exchange, and also the Stock Exchange, Edinburgh, besides being published in the newspapers.

Mr Fleming reported verbally what he had done in London.

12.—*Minute of Edinburgh Banks.*

At a meeting of representatives of the following banks, held at the Bank of Scotland, on Wednesday, the 28th day of October, 1857,

Present:

For the Bank of Scotland,	Mr Blair & Mr Brown.
For the Royal Bank,	Mr Robertson.
For the British Linen Co ,	Mr Goodsir.
For the Commercial Bank,	Mr Mackenzie.
For the National Bank,	Mr Duncan.
For the Union Bank,	Mr Robertson.

Having met with Mr Robertson of the Union, and Mr Readman of the Clydesdale Banks, Resolved—That the minute of the 26th instant is so far modified or departed from as to relieve the directors or proprietors of the Western Bank from signing a bill or bond for the advance of £500,000, upon a letter of guarantee against ultimate loss being given by the directors or proprietors, and to be settled at the end of twelve months.

13.—*Minute of Directors of Western Bank, 28th October*, 1857.

The Directors of the Western Bank have received the minute of the meeting of the Edinburgh banks to-day, and have also heard from Mr James Robertson of the Union Bank, and Mr Readman of the Clydesdale Bank, their verbal report of what passed at the meeting. The Directors of the Western Bank cannot accept the aid offered on condition of their undertaking a compulsory winding-up of the Western Bank whether immediate or prospective; at the same time they are quite prepared to recommend to their shareholders, and endeavour to carry with all their influence any scheme for the business of this bank being transferred, either now or hereafter, to any existing Scotch bank on fair terms, so as to render the loss necessarily arising from any such transaction as little injurious to the shareholders and the public as possible.

14.—*Minute of Edinburgh Banks, 29th Oct.* 1857.

Resolved.—That a memorandum of 27th inst., which was read by Mr Blair to the banks, be now formally recorded as part of these minutes, subject to the qualification made upon it by the minute of yesterday, and which memorandum is as follows;—"That the meeting adhere to the resolution of 26th instant. They do not desire to press the Directors of the Western Bank with regard to winding-up the bank, as to the point of time; and that would merely take the Directors or proprietors as a guarantee for the sufficiency of the bank's undertakings for the loan granted;" and that a copy of the minute be now handed to Mr Fleming.

Resolved further.—In agreeing to make this advance, the meeting record their unanimous opinion, that it is highly expedient that the affairs of the Western Bank should be wound up; and they trust to the directors of that bank using their best endeavours to make the necessary arrangement with the shareholders for that purpose; and the meeting direct a copy of this minute to be given to Mr Fleming.

15.—*Letter from Mr Fleming to Mr Blair.*

Edinburgh, 29th Oct., 1857.

Sir,—As it is proper that the banks should have security for the settlement of the exchanges that may be against the Western Bank, I hereby, as authorised by the Directors of that bank, deposit with you for behoof of the Bank of Scotland, Royal Bank, British Linen Company, Commercial Bank, National Bank, and Union Bank, a box of bills amounting to £767,520 16s. 8d., to be held by the banks in security of the exchanges that have been or may be against the Western Bank, or any other obligations of that bank, until further notice.

(Signed) J. S. Fleming,
Manager of the Western Bank of Scotland.

Alexander Blair, Esq.,
Treasurer, Bank of Scotland, Edinburgh.

P.S.—Although the bills above referred to are not indorsed by the Western Bank of Scotland, I engage that they shall be indorsed by the bank when required, and that the liability of that bank shall be the same as if the bills had borne their indorsement.

(Signed) J. S. Fleming.

16.—*Letter of Obligation by the Directors of the Western Bank of Scotland.*

Western Bank of Scotland, Glasgow,
30th October, 1857.

We, the subscribers, proprietors of the Western Bank of Scotland, considering that the Bank of Scotland, the Royal Bank of Scotland, British Linen Company, National Bank of Scotland, Commercial Bank of Scotland, and the Union Bank of Scotland, have discounted bills to the Western Bank of Scotland, to the extent of £510,000, payable at six months date, and that the Western Bank of Scotland has lodged with you, for behoof of yourself and said other banks, bills to the extent of £767,520 16s. 8d., hereby guarantee you and said banks against loss from said transaction, and that within 12 months from this date.—We are, &c.,

(Signed)

Thos. Dunlop Douglas.	Thos. M'Call.
James Dunlop.	Thos. Douglas Graham.
Alexr. Baird.	Wm. Logie.
T. Gray Buchanan.	

To the Treasurer of the Bank of Scotland, Edinburgh.

17.—*Letter of Obligation by Western Bank to Repay Advance by Edinburgh Banks in Consols.*

Western Bank of Scotland, Glasgow,
30th October, 1857.

Sir,—In respect of your having established for the Western Bank of Scotland a credit of L.85,000, on securities agreed upon, and for a period of six months, I undertake for the said bank that for whatever portion of said credit shall be used, the same will be repaid in Consolidated Three per Cent. stock, valued at 88 per cent., or in such other stock as you may think proper, valued at the market price of yesterday in London, it being understood that the rate of interest shall be 5 per cent.—I am, &c.,

(Signed) J. S. Fleming,
for the Western Bank of Scotland.

To the Managers of
the Bank.

18.—*Letter from Western Bank to Bank of Scotland.*

31st October, 1857.

Dear Sir,—The application made a fortnight ago by the Directors of this bank to the other Scotch banks for a credit to the extent of half-a-million, was based on my calculation that L.350,000 or L.400,000 would keep our London finance in perfect order, and that the remainder would be a sufficient reserve to meet any probable withdrawal of deposits. This calculation, I still believe, would have proved correct, had the assistance required been given promptly, quietly, and free from any condition as to winding up.

But the demands made upon us have considerably exceeded my calculation from two causes; first, the notoriety of our financial embarrassment created by the delay in acceding to our application, and the course which the negotiations took from our having been referred to the Bank of England; and second, the condition as to winding up which the other banks sought to impose, and the publicity given by the *Times* to this condition.

It is not easy to say in figures to what extent these causes have respectively operated in inducing withdrawals, or to estimate to what extent they may still operate. But as to the past, my own observation here, and the reports from our branch agents all convince me that the second has been immeasurably more mischievous than the first. Deposits on receipts have been withdrawn to a very limited ex-

tent indeed, but balances on current accounts kept by the trading community have been removed to other banks to a considerable extent. The reason is natural and obvious. If this bank is to wind up, traders know that we cannot give them accommodation, and they take the earliest opportunity of arranging for that accommodation elsewhere, and withdraw their balances.

I am hopeful that the mischief already done is not irreparable. That we retain still a measure of public confidence is proved by the fact that no fixed deposits of any large amount have been withdrawn, and nothing like a run has taken place, and gold has scarcely ever been demanded. And the contradiction now given by the *Times* and other newspapers to the statement, that we are taken bound to wind up, must, I think, re-assure the mercantile community, and stop the drain from that quarter which mainly has caused the recent adverse exchanges. But the approach of Martinmas term, and the operation of the causes alluded to, will no doubt produce adverse balances in the exchange for a week or two to come, and the directors are therefore compelled to renew their application to the other banks for additional assistance.

I have already said that there has been no demand made upon us for gold, all sums withdrawn having been taken in our notes, and consequently the other banks have got the deposits. I have also said that I still think half a million amply sufficient to enable me to regulate the London finance. The proposal, therefore, which I have to submit on the part of the directors of this bank is, that the credit of half a million already established should be kept available for use in London if and when required, and that for the exchange drafts already held over, and for the balances of exchange during the next three or four weeks, in so far as these balances may arise from the transference of deposits from this bank, the other banks should respectively take our promissory notes at three months' date, these notes to be secured by a deposit of bills with the Bank of Scotland for the general behoof, and by a letter of guarantee in the form already adopted.

If this course be agreed to by the other banks, and the business of this bank allowed to go quietly on, I have great confidence that the balance of exchange will not be heavy, and that from the contraction of accommodation which has been already begun, the full amount left over will be repaid to the other banks within the three months. But you will permit me to say that, to be effectual, the assistance must be promptly given.

Should the banks desire it, a deputation from the directors will go to Edinburgh any day you may name. In the meantime I beg on their behalf that you will be good enough to submit the application now made to an early meeting. I am, etc.,

J. S. Fleming, Manager.

Alexander Blair, Esq.,
Bank of Scotland, Edinburgh.

19.—*Letter from A. K. Mackenzie, Esq., Manager of Commercial Bank, to Alexander Blair, Esq., Treasurer, Bank of Scotland.*

Commercial Bank of Scotland,
Edinburgh, 31st October, 1857.

My dear Sir,—As the Western Bank have declared their inability to provide for their drafts on their London correspondents granted for Exchequer bills, sold to them at the exchange last Monday and Thursday, I see no use in their continuing to settle the exchanges that may be against them in that way in future.

I beg, therefore, to intimate to you, and, through you to the other banks, that in the event of the exchanges being in our favour on Monday next, we must decline to sell Exchequer bills to the Western Bank, to be paid by their drafts on their London correspondents.

In conformity with the agreement of the six banks with the Western, we are quite ready to advance ratcably our quota of the credit of half-a-million, to enable that bank to settle next Monday's exchanges but we cannot consent to become the holders of another of their drafts (in addition to the two for £71,000 we already hold), which might have the effect of making us creditors of the Western Bank for a much larger sum than our quota.

When Mr Duncan, Mr Wright, and Mr Tytler were here to-day, I mentioned our resolution to them, and Mr Tytler said he would endeavour to get you to call a meeting at the Bank of Scotland on Monday forenoon, to arrange how the exchanges are to be settled, and the contributions of the six banks in aid of the Western are to be equalised.—I am, &c.,

(Signed) A. K. Mackenzie,
Manager.

Alexander Blair, Esq.,
Treasurer, Bank of Scotland.

20.—*Bank of Scotland to Western Bank.*

Bank of Scotland,
Edinburgh, 3d November, 1857.

Sir,—On the part of this Bank, the Royal Bank, the British Linen Company, the Commercial Bank, the National Bank, and the Union Bank, I have to reply to your favour of the 31st ultimo.

The Banks advanced the sum considered by the Western Bank to be sufficient for their relief, and at your request they modified the conditions, so as to make the transactions suit in every respect the views and wishes of your Directors.

From the special circumstances attending the position of the Western Bank, which are quite unprecedented in Scotland, the banks regret that they do not consider themselves justified in advancing a second loan.

But as a considerable amount of your issues must be presented for payment on the next exchange day, the banks will be glad to consider a proposal having for its object the payment of the notes on Friday, and a provision for the retirement of the circulation of the Western Bank in future.

Your reply in course is requested.—I remain, etc.

(Signed) Wm. Simson, Secretary.

J. S. Fleming, Esq., Manager,
Western Bank, Glasgow.

21.—*Western Bank to Bank of Scotland.*

4th November, 1857.

Sir,—I beg to acknowledge the receipt of Mr Simson's letter of yesterday, which has been submitted to the directors.

The object which the directors had in view in making the proposal contained in my letter of 31st ultimo, was to provide for future adverse balances of exchange; and, reading the rejection of that proposal contained in Mr Simson's letter, in connection with the last paragraph of that letter, the directors conclude that the other banks are not satisfied with the security which on their part I have proposed to provide. The directors are most anxious to meet the views of the other banks, and I am instructed to say that, in addition to the security already proposed, the directors and other leading shareholders would be disposed to undertake, within a limited period, to deposit with one or more of the other banks, for the general behoof, an amount in cash sufficient as a supplementary guarantee to protect these banks from eventual loss by their holding over the balances of exchange in the manner proposed in my letter of 31st ultimo.

Should an arrangement of this nature meet the approval of the banks, I shall be glad to hear from you to what extent they would desire such a deposit.—I am, &c., (Signed) J. S. Fleming, Manager.

Alexander Blair, Esq.

22.—*Bank of Scotland to Western Bank.*

Bank of Scotland,
Edinburgh, 5th November, 1857.

Sir,—Mr Blair has received your letter of yesterday's date.

The banks, as stated in my letter of the 3d instant,

declined to advance a second loan, the last paragraph had reference to the probable claim upon the Western Bank at next exchange day, and the banks did not seem indisposed to consider a proposal, if made by the Western Bank, to hold over such notes as might be unretired on the deposit of satisfactory security. I understand you to say, in reply, that you are prepared within a limited period to deposit cash against your adverse balances. Please to state when you propose to make this deposit and its amount.—I remain, &c.,

(Signed) WM. SIMSON, Secretary.

James S. Fleming, Esq.

23.—*Western Bank to Bank of Scotland.*

5th November, 1857.

Sir,—Will you be kind enough to let me know by telegraph to-morrow forenoon whether it would be convenient for the banks to receive a deputation from our Board to-morrow afternoon, at six o'clock.

I have this evening received Mr Simson's letter of this date, which I shall lay before the Directors to-morrow.—I am, &c.,

(Signed) J. S. FLEMING, Manager.

Alexander Blair, Esq.

24.—*Telegraphic message forwarded from Edinburgh, and received at Glasgow, on 6th November, 1857, from Alexander Blair, Esq., Bank of Scotland, Edinburgh, to James S. Fleming, Esq., Western Bank, Glasgow:*

"Deputation will be received at No. 9 Eton Terrace, at six o'clock this evening."

25.—*Proposal by Western Bank, submitted at a Meeting of the Edinburgh Banks, on 6th Nov., 1857.*

The Directors of the Western Bank of Scotland propose that the bank, the Directors as individuals, and some other leading partners of the bank as individuals, should concur in a promissory note for £1,000,000 in favour of the other banks, and that all available securities should be lodged with the Bank of Scotland for the general behoof. The promissory note to form a security against eventual loss to the banks.

The banks to provide half a million in London during November and December, and to hold over the balance of exchange in Scotland; to announce by advertisement, signed by all the banks, that they resolve to carry the Western Bank through the present crisis, to express their confidence in the ability of the proprietors to meet all engagements, and to discourage, by circular to their agents, all attempts to induce withdrawals of deposits.

Personal obligation only to be given on distinct understanding that Western Bank is to be carried through. If the withdrawals become so extensive as to preclude the hope of the Western Bank being able to go on, the Directors to intimate this to the banks, and to advise with them as to the course then to be followed.

26.—*Minute of Edinburgh Banks, 6th November, 1857.*

The banks have considered the proposal made by the deputation, and they have arrived at the unanimous opinion that it cannot be entertained.

27.—*Letter from Mr J. S. Fleming to Laurence Robertson, Esq., Royal Bank, Edinburgh.*

Western Bank of Scotland, Glasgow,
7th November, 1857.

Dear Sir,—Referring to our conversation this afternoon, I now hand you enclosed copy of the document submitted to the meeting of the banks held in Edinburgh to-day by Mr Readman. I do so in order that, as you suggested, the banks may have the opportunity of considering the same on Monday morning; and that this opportunity may be afforded, I shall endeavour to carry on the business of this bank till two o'clock on Monday, by which hour the Directors will expect to have a communication from the banks in Edinburgh. It would be improper for me to conceal from you and the other banks that, under present circumstances, it is impossible for me to provide in London for the exchange drafts, which will fall to be given at the settlement on Monday. The result, therefore, of our continuing to transact business till Monday will be to render the banks accepting our notes, creditors of this bank, in the room of parties who may withdraw deposits from us. In these circumstances, the Directors wish it to be understood that they authorise the doors of this bank to be kept open only in respect of your suggestion to me this afternoon, and to absolve themselves from the responsibility of closing the doors while the slightest chance remains of an arrangement being come to under which so disastrous a step may be averted.—I am, &c.,

(Signed) J. S. FLEMING, Manager.

Note.—The document referred to contained the terms of a proposed amalgamation with the Clydesdale Banking Company.

28.—*Mr Robertson to Mr Fleming.*

Royal Bank of Scotland, Edinburgh,
9th November, 1857.

Dear Sir,—I sent you a telegraphic message this day, and have now to inform you that a meeting of the banks has been held, when it was resolved to adhere to the opinion expressed on Saturday to Mr Readman by the gentlemen then assembled.—I am, &c.,

(Signed) LAURENCE ROBERTSON.

J. S. Fleming, Esq.

ORIGINAL PROGRAMME

OF THE

WESTERN BANK OF SCOTLAND,

With the List of Governors and Directors from the commencement of the Bank in 1832, to the present year, 1858.

[First Advertisement in 1832.]

"WESTERN BANK OF SCOTLAND.

"The want of Sufficient Bank Accommodation, on Liberal Principles, having been seriously felt and long complained of in Glasgow, it has been resolved to establish

A New Public Bank,
With a Capital of Four Millions Sterling,

Divided into 20,000 shares of £200 each. First instalment not to exceed 15 per cent., or £30 per share. Subscribers to be allowed to operate on their shares to the extent of one-half of their advanced stock, on the principles of a cash credit, and to such farther extent as the circumstances of the Company and the value of the stock may warrant.

Prospectuses will be found at the Old and New Exchange Rooms, and Subscriptions received and Prospectuses issued to Subscribers only, at the Office of the Interim Secretary, John Buchanan, Esq., 83 Miller Street, Glasgow; if by letter, postage free.

Application may also be made in
Edinburgh, to...Graham & Anderson, Esqrs., 31 Great King Street.
London.....Spottiswood & Robertson, Esqrs., Great George Street, Westminster.
Liverpool.....Radcliffe & Duncan, Esqrs.
Ayr.....Alexander Murdoch, Esq.
Paisley.....Barrs & MacFarlan, Esqrs.
Falkirk.....Robert Adam, Esq.
Airdrie.....J. H. Mack, Esq."

[Second Original Announcement.]

"WESTERN BANK OF SCOTLAND.

Capital—Four Millions Sterling.

Governor.
The Right Hon. the Earl of Eglinton.
Deputy-Governor.
Sir Wm. Baillie, of Polkemmet, Bart.
Local Committee.
John Buchanan, Esq., Merchant, Glasgow.
George Douglas, Esq., Merchant, Glasgow.
James Lockhart Spencer, Esq., Glasgow.
George Lewis, Esq., Merchant, Glasgow.
John Burnside, Esq., Glasgow.
Andrew Galloway, Esq., Merchant, Glasgow.

A large proportion of the capital stock having now been subscribed, a general meeting of the shareholders is hereby requested on Wednesday the 23d day of May next, at 12 o'clock, within the Tontine Hotel, Glasgow, to consider the contract of copartnery, the heads of which will previously be transmitted to each shareholder. In the meantime, subscriptions will be received at the office of the Interim Secretary, 83 Miller Street, Glasgow; but after the general meeting, all applications for shares will be subject to consideration.

By order of the Committee,
John Buchanan, Interim Secretary.

Glasgow, 30th April, 1832.

WESTERN BANK OF SCOTLAND.

The Local Committee hereby intimate that, in order to carry on the business of the Company, they have secured the premises in Miller Street formerly occupied by the Bank of Scotland."

[Minute of the First Meeting.]

"At Glasgow the 23d day of May, 1832 years, at twelve o'clock noon, within the Tontine Hotel.

At a General Meeting of the Shareholders of the Western Bank of Scotland, convened for the purpose of Constituting the Bank—

Sir Wm. Baillie, of Polkemmet, Bart., in the Chair—

The Local Committee read a report of their procedure, stating the extent of capital subscribed, and the various steps that had been adopted for promoting the interest of the Bank; which report was unanimously approved of.

The draft of the proposed contract of copartnery was then read over, and after being considered by the meeting, was unanimously approved of, and ordered to be engrossed and subscribed without delay.

The thanks of the meeting were thereafter voted by acclamation to the Chairman, for his able conduct in the chair; and to the Local Committee, for their great and successful exertions in the business of the Bank."

The Bank having been constituted accordingly, the following appointments were afterwards made and confirmed, viz.:—

1832.
Governor.
The Right Hon. the Earl of Eglinton.
Deputy-Governor.
Sir Wm. Baillie, of Polkemmet, Bart.
Extraordinary Directors.
Sir Henry Stuart, of Allanton, Bart.
Joseph Walker, Esq., of Lasceiles Hall.
John Baxter, Esq., Merchant, Edinburgh.
John Hunter, Esq., Ardrossan.
John Melville, Esq., Upper Harley Street, London.
Ordinary Directors.
John Buchanan, Esq., Merchant, Glasgow.
George Douglas, Esq., Merchant, Glasgow.
George Lewis, Esq., Merchant, Glasgow.
James Lockhart Spencer, Esq., Glasgow.
John Burnside, Esq., Glasgow.
Andrew Galloway, Esq., Merchant, Glasgow
Manager—William Mitchell.
Secretary—John Buchanan.

1833.
Governor.
The Right Hon. the Earl of Eglinton.
Deputy-Governor.
Sir Wm. Baillie, of Polkemmet, Bart.
Extraordinary Directors.
The Right Hon. the Earl of Leven and Melville.
Sir Henry Stuart, of Allanton, Bart.
Robert Mayne, Esq., Edinburgh.
John Hunter, Esq., Ardrossan.
William Tritton, Esq., London.
John Baxter, Esq., Edinburgh.

Ordinary Directors.
Robert Weir, Esq., Merchant, Glasgow.
Alexander M'Aslan, Esq, Merchant, Glasgow.
John M'Gregor, Esq., Merchant, Glasgow.
George Douglas, Esq., Merchant, Glasgow.
J. W. Roberton, Esq., Merchant, Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
Manager—William Mitchell.
Secretary—John Buchanan.

1834.
Governor.
THE RIGHT HON. THE EARL OF EGLINTON.
Deputy-Governor.
SIR WM. BAILLIE, OF POLKEMMET, BART.
Extraordinary Directors.
The Right Hon. the Earl of Leven and Melville.
Sir Henry Stuart, of Allanton, Bart.
Robert Mayne, Esq., Melville Street, Edinburgh.
William Tritton, Esq., London.
John Baxter, Esq., Edinburgh.
John Hunter, Esq., Ardrossan.
Ordinary Directors.
Robert Weir, Esq., Merchant, Glasgow.
Alexander M'Aslan, Esq., Merchant, Glasgow.
John M'Gregor, Esq., Merchant, Glasgow.
George Douglas, Esq, Merchant, Glasgow.
James W. Roberton, Esq, Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
Manager—William Mitchell.
Secretary—John Buchanan.

1835.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
SIR WM. BAILLIE, OF POLKEMMET, BART.
Extraordinary Directors.
Sir Henry Stuart, of Allanton, Bart.
Robert Mayne, Esq., Edinburgh.
John Hunter, Esq., Ardrossan.
William Tritton, Esq., London.
Gabriel Wilson, Esq. of Sweethope.
Ordinary Directors.
Alexander M'Aslan, Esq., Merchant, Glasgow.
John M'Gregor, Esq., Merchant, Glasgow.
George Douglas, Esq., Merchant, Glasgow.
James Wm. Roberton, Esq., Merchant, Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
John Miller, Esq, Merchant, Glasgow.
Manager—John Miller.
Secretary—John Buchanan.

1836.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
ROBERT BRUCE, ESQ., OF KENNET.
Extraordinary Directors.
Sir Henry Stuart, of Allanton, Bart.
Robert Mayne, Esq., Edinburgh.
John Hunter, Esq, Ardrossan.
William Tritton, Esq., Inveresk House.
Gabriel Wilson, Esq., Musselburgh.
Alex. Sinclair, Esq., of the Hon. East India Company, Edinburgh.
Ordinary Directors.
George Douglas, Esq., Merchant, Glasgow.
James W. Roberton, Esq., Merchant, Glasgow.
John Miller, Esq., Merchant, Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
George Lewis, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1837.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Extraordinary Directors.
Robert Mayne, Esq., Edinburgh.
John Hunter, Esq., Ardrossan.
William Tritton, Esq., Inveresk House.
Gabriel Wilson, Esq., Musselburgh.
Alex. Sinclair, Esq., of the Hon. East India Company, Edinburgh.
William Brown, Esq., of Kilmardinny.
Ordinary Directors.
George Douglas, Esq., Merchant, Glasgow.
James W. Roberton, Esq., Merchant, Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
John Miller, Esq., Merchant, Glasgow.
George Lewis, Esq., Merchant, Glasgow.
Thomas Dunlop Douglas, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1838.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ., GLASGOW.
Extraordinary Directors.
John Hunter, Esq., Ardrossan.
William Tritton, Esq., Edinburgh.
Gabriel Wilson, Esq., Musselburgh.
Alexander Sinclair, Esq., Edinburgh.
John Douglas, Esq., Moray Place, Edinburgh.
Robert Mayne, Esq., Melville Street, Edinburgh.
Ordinary Directors.
J. W. Roberton, Esq., Glasgow.
John Buchanan, Esq., Merchant, Glasgow.
John Miller, Esq. of Muirshiel.
George Lewis, Esq., Grove Park.
Alex. Fletcher, Esq., Merchant, Glasgow.
William Brown, Esq. of Kilmardinny.
Manager—Donald Smith.
Secretary—John Buchanan.

1839.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ.
Extraordinary Directors.
John Hunter, Esq., Ardrossan.
Robert Eccles, Esq., Merchant, Glasgow.
William Tritton, Esq., Edinburgh.
John Douglas, Esq, Moray Place, Edinburgh.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Merchant, Glasgow.
Ordinary Directors.
John Miller, Esq. of Muirshiel.
George Lewis, Esq., Grove Park.
Alex. Fletcher, Esq., Merchant, Glasgow.
William Brown, Esq, Kilmardinny.
Andrew Buchanan, Esq., Mount Vernon.
William Baird, Esq., Gartsherrie.
Manager—Donald Smith.
Secretary—John Buchanan.

1840.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ.
Extraordinary Directors.
John Hunter, Esq., Ardrossan.
Robert Eccles, Esq., Merchant, Glasgow.
William Tritton, Esq., Edinburgh.
John Douglas, Esq, Moray Place, Edinburgh.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Merchant, Glasgow.
Ordinary Directors.
George Lewis, Esq., Grove Park.
Alex. Fletcher, Esq., Merchant, Glasgow.
William Brown, Esq, of Kilmardinny.
Andrew Buchanan, Esq., Mount Vernon.
William Baird, Esq., Gartsherrie.
James Burns, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1841.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ.

Extraordinary Directors.

John Hunter, Esq., Ardrossan.
Robert Eccles, Esq., Merchant, Glasgow.
William Tritton, Esq., Edinburgh.
Robert Freeland, Esq , of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Merchant, Glasgow.

Ordinary Directors.

Alex. Fletcher, Esq., Merchant, Glasgow.
William Brown, Esq., Kilmardinny.
Andrew Buchanan, Esq., Mount Vernon.
William Baird, Esq., Gartsherrie.
James Burns, Esq., Merchant, Glasgow.
Duncan M'Bean, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1842.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ , GLASGOW.

Extraordinary Directors.

John Hunter, Esq., Ardrossan.
Wm. Tritton, Esq , Edinburgh.
Robert Freeland, Esq., of Gryffe Castle.
R. Mayne, Esq., Edinburgh.
Robert Eccles. Esq., Glasgow.
George Cole, Esq., Glasgow.

Ordinary Directors.

Alex. Fletcher, Esq., Glasgow.
W. Brown, Esq. of Kilmardinny.
Andrew Buchanan, Esq., Mount Vernon.
W. Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
Duncan M'Bean, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1843.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ., GLASGOW.

Extraordinary Directors.

John Hunter, Esq., Ardrossan.
Wm. Tritton, Esq., Edinburgh.
Robert Freeland, Esq. of Gryffe Castle.
R. Mayne, Esq., Edinburgh.
Robert Eccles, Esq., Glasgow.
George Cole, Esq , Glasgow.

Ordinary Directors.

W. Brown, Esq. of Kilmardinny.
Andrew Buchanan, Esq., Mount Vernon.
W. Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
Duncan M'Bean, Esq., Merchant, Glasgow.
Alex. Glasgow, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1844.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ., GLASGOW.

Extraordinary Directors.

John Hunter, Esq., Ardrossan.
Wm. Tritton, Esq , Edinburgh.
Robert Freeland, Esq. of Gryffe Castle.
R. Mayne, Esq., Edinburgh.
Robert Eccles, Esq., Glasgow.
George Cole, Esq., Glasgow.

Ordinary Directors.

Andrew Buchanan, Esq., Mount Vernon.
W. Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq , Merchant, Glasgow.
James Douglas, Esq., Merchant.
Alex. Glasgow, Esq., Merchant, Glasgow.
James Bogle, Esq., Merchant.
Manager—Donald Smith.
Secretary—John Buchanan.

1845.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ., GLASGOW

Extraordinary Directors.

John Hunter, Esq., Ardrossan.
Wm. Tritton, Esq., Edinburgh.
Robert Freeland, Esq.. Gryffe Cast
Robert Mayne, Esq., Edinburgh.
Robert Eccles, Esq., Glasgow.
George Cole, Esq., Glasgow.

Ordinary Directors.

Wm. Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
Jas. Douglas, Esq., Merchant, Glasgow.
Alex. Glasgow, Esq., Merchant, Glasgow.
James Bogle, Esq., Merchant.
Wm. Brown, Esq., Merchant.
Manager—Donald Smith.
Secretary—John Buchanan.

1846.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.

Extraordinary Directors.

William Baird, Esq., M.P., Gartsherrie.
Robert Eccles, Esq., Merchant, Glasgow.
William Tritton, Esq., Edinburgh.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq.. Melville Street, Edinburgh.
George Cole, Esq., Sidmouth, Devonshire.

Ordinary Directors.

James Burns, Esq.. Merchant, Glasgow.
James Douglas, Esq., Merchant, Glasgow.
Alexander Glasgow, Esq., Merchant, Glasgow.
James Bogle, Esq., Merchant, Glasgow.
William Brown, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1847.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ., OF DUNLOP.

Extraordinary Directors.

Robert Eccles, Esq., Merchant, Glasgow.
William Tritton, Esq., Edinburgh.
Robert Freeland, Esq., of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh,
George Cole, Esq., Sidmouth, Devonshire.
James Burns, Esq , Glasgow.

Ordinary Directors.

James Douglas, Esq., Merchant, Glasgow.
Alexander Glasgow, Esq., Merchant, Glasgow.
James Bogle, Esq , Merchant, Glasgow.
William Brown, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works, Glasgow.
William Baird, Esq., Gartsherrie Iron Works.
Manager—Donald Smith.
Secretary—John Buchanan.

1848.

Governor.

THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.

Deputy-Governor.

THOMAS DUNLOP DOUGLAS, ESQ , OF DUNLOP.

Extraordinary Directors.
Robert Eccles, Esq., Merchant, Glasgow.
Robert Freeland, Esq., of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Sidmouth, Devonshire.
John Macvicar, Esq., of Ardarroch.
James Douglas, Esq., Merchant, Glasgow.

Ordinary Directors.
Alex. Glasgow, Esq., Merchant, Glasgow.
James Bogle, Esq., Merchant, Glasgow.
William Brown, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works, Glasgow.
William Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1849.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.
Extraordinary Directors.
R. S. C. A. Alexander, Esq. of Airdrie House and Rochsulloch.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Sidmouth, Devonshire.
John Macvicar, Esq. of Ardarroch.
Alexander Glasgow, Esq., Merchant, Glasgow.
Ordinary Directors.
James Bogle, Esq., Merchant, Glasgow.
William Brown, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works, Glasgow.
William Baird, Esq., Gartsherrie Iron Works,
James Burns, Esq., Merchant, Glasgow.
James Douglas, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1850.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ., OF DUNLOP.
Extraordinary Directors.
R. S. C. A. Alexander, Esq., of Airdrie House and Rochsulloch.
Robert Freeland, Esq., of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
George Cole, Esq., Sidmouth, Devonshire.
John Macvicar, Esq., of Ardarroch.
Alexander Baird, Esq., of Faskin and Palace Craig.
Ordinary Directors.
William Brown, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works, Glasgow.
William Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
James Douglas, Esq., Merchant, Glasgow.
Alexander Glasgow, Esq., Merchant, Glasgow; and
Manager—Donald Smith.
Secretary—John Buchanan.

1851.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ., OF DUNLOP.
Extraordinary Directors.
Robert S. C. A. Alexander, Esq., of Airdrie House and Rochsulloch.
Robert Freeland, Esq., of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq., of Cairnhill.
William Roberton, Esq., of Lauchope.
Alexander Baird, Esq., of Faskin and Palace Craig.
Ordinary Directors.
James Dunlop, Esq., of Clyde Iron Works, Glasgow.
William Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., Merchant, Glasgow.
James Douglas, Esq., Merchant, Glasgow.
Alexander Glasgow, Esq., Merchant, Glasgow.
Thomas Buchanan, Esq., Yr. of Scotston, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1852.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ., OF DUNLOP.
Extraordinary Directors.
Robert S. C. A. Alexander, Esq., of Airdrie House and Rochsulloch.
Robert Freeland, Esq., of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq., of Cairnhill.
William Roberton, Esq., of Lauchope.
Alexander Baird, Esq., of Faskin and Palace Craig.
Ordinary Directors.
William Baird, Esq., Gartsherrie Iron Works.
James Burns, Esq., of Bloomhill, Merchant, Glasgow.
James Douglas, Esq., Merchant, Glasgow.
Alexander Glasgow, Esq., of Auchinraith, Merchant, Glasgow.
Thomas Buchanan, Esq., yr. of Scotston, Glasgow.
Alexander Smyth, Esq., of Belnegeith; and
Manager—Donald Smith.
Secretary—John Buchanan.

1853.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.
Extraordinary Directors.
Robert S. C. A. Alexander, Esq. of Airdrie House and Rochsulloch.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
William Roberton, Esq. of Lauchope.
Alexander Baird, Esq. of Faskin and Palace Craig.
Ordinary Directors.
James Burns, Esq. of Bloomhill, Merchant, Glasgow.
Alexander Glasgow, Esq. of Auchinraith, Merchant, Glasgow.
Thomas Buchanan, Esq., Yr. of Scotston, Glasgow.
Alexander Smyth, Esq. of Belnegeith.
James Baird, Esq., Gartsherrie, M.P., and
Manager—Donald Smith.
Secretary—John Buchanan.

1854
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.
Extraordinary Directors.
Robert S. C. A. Alexander, Esq. of Airdrie House and Rochsulloch.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
William Roberton, Esq. of Lauchope.
Alexander Baird, Esq. of Faskin and Palace Craig.
Ordinary Directors.
Thomas Buchanan, Esq., Yr. of Scotston, Glasgow.
Alexander Smyth, Esq. of Belnegeith.
James Baird, Esq., Gartsherrie, M.P.
George Burns, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works.
Thos. M'Call, Esq., Merchant, Glasgow.
Manager—Donald Smith.
Secretary—John Buchanan.

1855.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.

Extraordinary Directors.
Robert S. C. A. Alexander, Esq. of Airdrie House and Rochsulloch.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq , Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
William Roberton, Esq. of Lauchope.
Alexander Baird, Esq. of Faskin and Palace Craig.

Honorary Director—Donald Smith, Esq.

Ordinary Directors.
Alexander Smyth, Esq. of Belnegeith.
James Baird, Esq., Gartsherrie, M.P.
George Burns, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Iron Works.
Thomas M'Call, Esq , Merchant, Glasgow.
Thomas Douglas Graham, Esq., Merchant, Glasgow.
Manager—John Taylor.
Secretary—John Buchanan.

1856.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE.
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.
Extraordinary Directors.
Robert S. C. A. Alexander, Esq. of Airdrie House and Rochsulloch.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
William Roberton, Esq. of Lauchope.
Alexander Baird, Esq. of Faskin and Palace Craig.
Ordinary Directors.
James Baird, Esq., Gartsherrie, M P.
George Burns, Esq., Merchant, Glasgow.
James Dunlop, Esq., Clyde Ironworks.
Thomas M'Call, Esq., Merchant, Glasgow.
Thomas Douglas Graham, Esq., Merchant Glasgow.
Thomas Gray Buchanan, Esq. of Scotston.
Manager—John Taylor.
Secretary—John Buchanan.

1857.
Governor.
THE RIGHT HON. THE EARL OF LEVEN AND MELVILLE
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ., OF DUNLOP.
Extraordinary Directors.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq . Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
Alexander Baird, Esq. of Urie.
James Buchanan, Esq. of Craigend Castle.
Archibald Douglas, Esq. of Glenfinart.
Ordinary Directors.
George Burns, Esq. Merchant, Glasgow.
James Dunlop, Esq , Clyde Iron Works.
Thomas M'Call, Esq., Merchant, Glasgow.
Thomas Douglas Graham, Esq , Merchant, Glasgow.
Thomas Gray Buchanan, Esq. of Scotston.
Manager—John Taylor
Secretary—John Buchanan.

1858.
Governor.
(None Published.)
Deputy-Governor.
THOMAS DUNLOP DOUGLAS, ESQ. OF DUNLOP.
Extraordinary Directors.
Robert Freeland, Esq. of Gryffe Castle.
Robert Mayne, Esq., Melville Street, Edinburgh.
John More Nisbett, Esq. of Cairnhill.
James Buchanan, Esq. of Craigend Castle.
Archibald Douglas, Esq. of Glenfinart.
Ordinary Directors.
James Dunlop, Esq., Clyde Iron Works.
Thomas M'Call, Esq., Merchant, Glasgow.
Thomas Douglas Graham, Esq., Merchant, Glasgow.
Thomas Gray Buchanan, Esq. of Scotston.
Alexander Baird, Esq. of Urie.
William Logie, Esq., Hallside.
Manager—J. S. Fleming, *pro tem.*
Secretary—J. Buchanan.

S. & T. DUNN,
Printers and Stereotype Founders,
Glasgow.

The Western Bank failure and the Scottish banking system