

On the Home Front

The Banks

Before we look at the role of the banks, we need to understand why the British government needed actual, physical money when war broke out. Normally the government would take out contracts with companies and pay usually through bank transfers or cheques, often after the goods have been delivered. This would work when dealing with British companies, however, when Britain declared war in 1939, the U.S. Neutrality Act forbade the American Government from lending or exporting arms to a belligerent. Also, the Johnson Act of 1934 prohibited the government from making transactions with any country that had defaulted on First World War debts, which Britain had done, along with most of the other countries who had borrowed money from the U.S.

After the German invasion of Poland, senators voted to ditch the arms embargo because they believed that the defeat of Britain and France would be a blow to American security in the Atlantic. This was not straight forward, and a lot of senators did not want the embargo lifted, but it passed with a majority. Britain was now able to purchase war materials from U.S. companies but had to pay with either American dollars or gold and couldn't use U.S. shipping. This was called 'Cash and Carry.'

Britain had some gold and foreign exchange but not enough, and in order to pay for contracts they compulsorily purchased all dollars, gold and securities such as stocks and bonds held by British people and companies and began to sell properties including factories and other assets in the U.S. in order to raise funds.

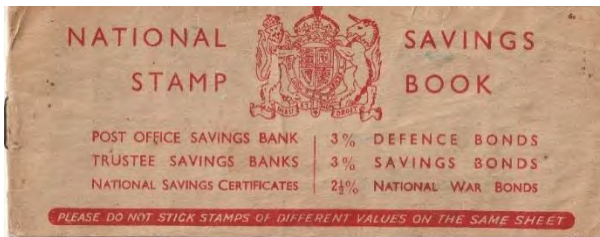
After the fall of France in June 1940, Britain took over the \$125 million of French U.S. contracts and was committed, among other things, to a programme of purchasing 3,000 planes a month from America. British and French orders for a new aero engine programme alone had required an outlay of \$84m dollars. This was spent on building new engine plants, machine tools and workmen training schools in America. This money did not buy any actual engines, they were extra. The U.S. companies required money up front in case Britain was defeated. Gold and currency were running out.

Britain could not wait for her own factories to tool up and produce the armaments in the time frame required. The government needed to buy war materials in a hurry 'off the shelf' in a lot of cases, and for that they needed U.S. dollars. To make up the shortfall they compulsorily purchased all U.S. currency held by British citizens at the standard exchange rate, and introduced 'Exchange Control', which forbade any dealing in or out of the country with U.S. dollars without government approval. This stopped U.S. currency leaving the country and also controlled the movement of British currency from the U.S. flooding back into Britain which might devalue it. The government needed cash quickly and

savings was another important source at this critical time. They could worry about paying it back after the war.

The Post Office Savings Bank

Established in 1861, the Post Office Savings Bank (P.O.S.B.) quickly attracted many customers who were eager to find a safe place for their savings. Backed by the Exchequer, the money deposited in the Post Offices was used by the Chancellor, William Gladstone, to offset against public spending. This was a



Above and below, a wartime Post Office Savings Stamp book owned by K. Franklin of Chesterton, Cambridge, containing eight Flaming Cross savings stamps and two five-shilling stamps. These stamps could be cashed in at any time.



simple way for the government to borrow money and thus the P.O.S.B. could afford to pay a good rate of interest. The aims of the P.O.S.B. were to provide a totally secure place for people to save, backed by the government, and to provide the Exchequer with a source of funding (Public borrowing).

In 1969 the P.O.S.B. became a separate government department accountable to the

Treasury ministers and was renamed National Savings. From this time, local and main Post Offices became simply a distribution outlet for the products of National Savings. Throughout the decades, National Savings has maintained its policy of matching the government's need for funding with its customers' expectations of a safe, secure investment producing a good return. From about 2000, **National Savings & Investments** became the new name for National Savings, demonstrating that it offered a much wider product range than ever before.

The Post Office Magazine was published by the General Post Office (G.P.O.) for staff and the general public between 1934 and 1966, with a break during the Second World War. I have managed to acquire the copy which was printed in March 1935 just four years before the war started. This magazine contains a very interesting article entitled 'Savings Certificates - The Index of a Nation's Thrift'. This covers the whole story of National Savings Certificates and how they were administered by the G.P.O. and I believe this would have changed very little from 1935 and into the war period and allows us to see the 'nuts and bolts' of how the system worked.



As I have stated in my previous books, National Savings started in 1916, the first certificates going on sale in February of that year. By the end of the war in 1918 260,000,000 certificates had been purchased, and by the time this magazine was published in 1935, twelve hundred million certificates had been sold which represented a cash investment of £1,000,000,000. The G.P.O. managed the sale of certificates, and the custody and administration of the associated records.

In 1935 there were 36,000 Savings Groups spread over England and Wales, all providing facilities for investments through the three State-controlled channels of popular saving – The Post Office Savings Bank, Trustee Savings

Banks and National Savings Certificates. Over one hundred thousand men and women, gave voluntary service in schools, factories, works, shops, offices, social clubs and later street groups – everywhere that people met or gathered; and when anybody, anywhere purchased a certificate or asked for repayment, the Money Order Department at the G.P.O. handled the transaction. The Post Office Money Order Department was located in Holloway, London, and the National Savings Department was by far the largest with 1,500 men and women working in the three main divisions of Issues, Repayments and Administration (*right*).

'Issues' dealt with the receiving, examining and filing of all documents (except the actual certificate), such as Holder's Cards, counterparts and completed requisitions from Associations, they also sent out confirmation notices of multiple certificates and compiled the



alphabetical index of registered holders. The average number of certificates issued daily represented about 100,000 units (£80,000), and the number of documents connected with them was 36,000. To do this work alone took 350 clerks.

There were three hundred and fifty other workers in the 'Administrative' Section rectifying errors, answering enquiries, dealing with Certificates belonging to "insane" or deceased persons, and tracing, stopping payment of, and issuing duplicates of lost or stolen Certificates. The task of tracing Certificates that had been lost or destroyed was so difficult that in 1922 the Holder's Card was brought into use and additional records set up. Holder's Card Registration (*below*). This was to be completed when a

SIGNATURE CARD (A) LL 67647

Surname of Holder { HOLDER'S REGISTERED NO.
(Please write Surname only in BLOCK LETTERS)

ALL Christian Names in full {
State whether Mr., Mrs., or Miss.....

FULL Address {

Signature of holder in usual handwriting {
(Or date of birth if holder is child under seven.)

This card must be filed in (as far as possible) by any person making a first purchase of Savings Certificates and, when completed, must be securely attached, by the Issuing Officer, to the counterparts of the relative Certificates.

P647G Wt. 20002/P2903 4,950m 8/40 T. & W. Ltd. A 91373 51-7419

DATE STAMP OF 3/1/118 ISSUING OFFICE

(B) HOLDER'S CARD NATIONAL SAVINGS CERTIFICATES

Holder's Regd. No. LL 67647

To be quoted in any communication respecting the Holder's Certificates.

Signature of holder in usual handwriting {

This card should be placed in the Holder's latest Certificate Book. Both card and book should be produced whenever any subsequent purchase or repayment is made.

DATE STAMP OF 3/1/118 ISSUING OFFICE

Certificate was bought. The number of the Savings Group that issued it is stamped in the circle instead of the date. The number in the box is the Registration number of the owner of the Certificate. Section 'B' was torn off and stored in the back of the owner's Savings Certificate Savings Book.

(B) HOLDER'S CARD NATIONAL SAVINGS CERTIFICATES

Holder's Regd. No. LT 58411

To be quoted in any communication respecting the Holder's Certificates.

Signature of holder in usual handwriting { *N. E. Prince*

This card should be placed in the Holder's latest Certificate Book. Both card and book should be produced whenever any subsequent purchase or repayment is made.

DATE STAMP OF 15/4/41 ISSUING OFFICE

Pocket for your Holder's Card

Card should be transferred to each new book as issued and produced whenever a purchase or repayment is made. As soon as all the Certificates you hold have been repaid you should give up your card at the Post Office unless you intend to purchase further Certificates.

INGS BY INSTIA

Your Holder's Registered Number should appear here ↗

Holder's Name { *Miss N. E. Prince*
To be filled in by Issuing Officer

Address { *5, Melcombe Place Weymouth.*

National Savings Certificates are of no value to any person but the Registered Holder.

No. 74 F

The holder's Card above left is for Miss N. E. Prince, of 5, Melcombe Place, Weymouth. The card is date stamped 15th April 1941 and slips inside the back of the blue book so the holder's number can be viewed through the opening. The Register of Holdings was in three parts – the 'Alphabetical Index', consisting of a record of holder's names, addresses and registered numbers: the 'Individual Record' of

7th ISSUE	BT 383283	(A) COUNTERPART	BLOCK LETTERS KR 71100	BT (B) 23 383283	7th ISSUE
N.B. This COUNTERPART is of no value except for Registration. It must be returned to the Issuing Officer.		£7. 10. 0 PURCHASE PRICE	Holder's Regd. No. To be filled in by Issuing Officer.	Particulars of counterparts attached	
These Particulars to be provided by the purchaser		Surname of Holder: JACKSON All Christian Names in full: MARJORIE Full Address: 21 SUTTON OAK RD SUTTON COLDFIELD * Signature of Holder: UNOBTAINABLE Date of Purchase: 14/7/1942		Serial Nos.	
				Number	
				from	to
				KR 71100	
		State whether Mr, Mrs or Miss: MRS		Holder's Regd. No.	
		ISSUING OFFICER'S STAMP SUTTON COLDFIELD		N.B. This COUNTERPART of a NATIONAL SAVINGS CERTIFICATE is of no value except for Registration and must not be detached from the 'A' counterpart.	
* IN THE CASE OF A CHILD UNDER SEVEN, THE DATE OF THE CHILD'S BIRTH SHOULD BE WRITTEN IN PLACE OF A SIGNATURE.				10 UNITS	

Above, 'A' and 'B' Counterparts

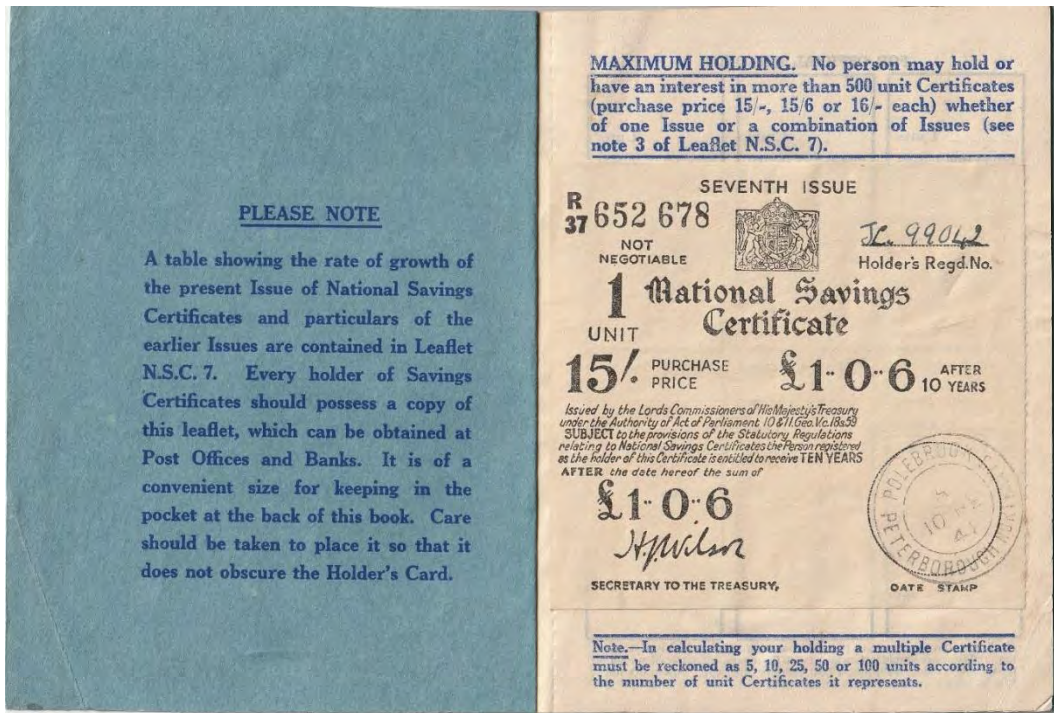
holdings which contained the Holder's Card and the 'A' Counterparts or Certificates purchased; and the 'Record of all Certificates Issued' – the 'B' counterparts – which were filed in numerical sequence. (Above) is counterpart 'A', with 'B' still attached. This was for the purchase of Savings Certificates to the value of £7. 10s. by Mrs, Marjorie Jackson, 21, Sutton Oak Road, Sutton Coldfield, date stamped 14th July 1942.



'B' Counterparts were stored in tin boxes, row on row. The boxes were made by convicts at a local London prison. The Alphabetical Index was one of the largest indexes of its kind in existence. For example, there were four thousand William Smiths registered. Everything was recorded on a small card or docket. The Individual Record formed the main evidence of ownership and precautions had to be taken to ensure its safekeeping. Specially constructed metal cabinets (*left*), fourteen drawers high and occupying five floors of a fire-proof building

were used. So enormous was the number of documents that the floors had to be specially strengthened. Fresh holdings were being registered at the rate of nearly twenty thousand a month.

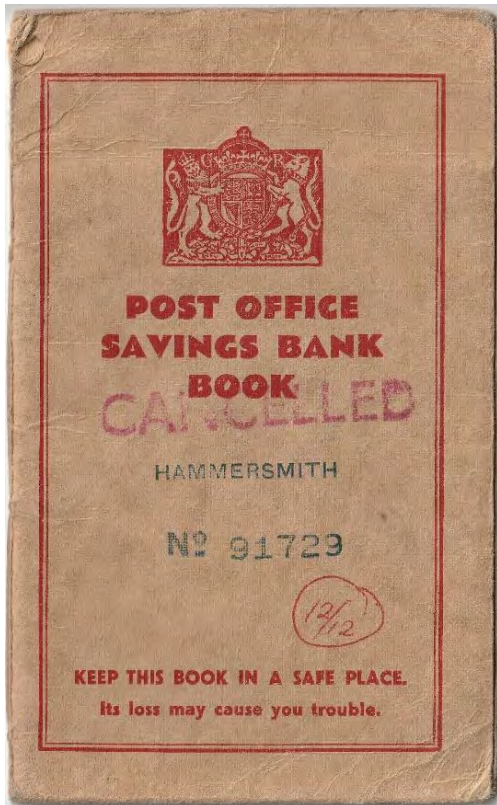
On the following page is a Savings Certificate in a Savings Certificate Book, to the value of fifteen shillings, date stamped 'Polebrook, Peterborough, 10th February 1941.'



Savings Certificate issued at Polebrook on 10th February 1941.



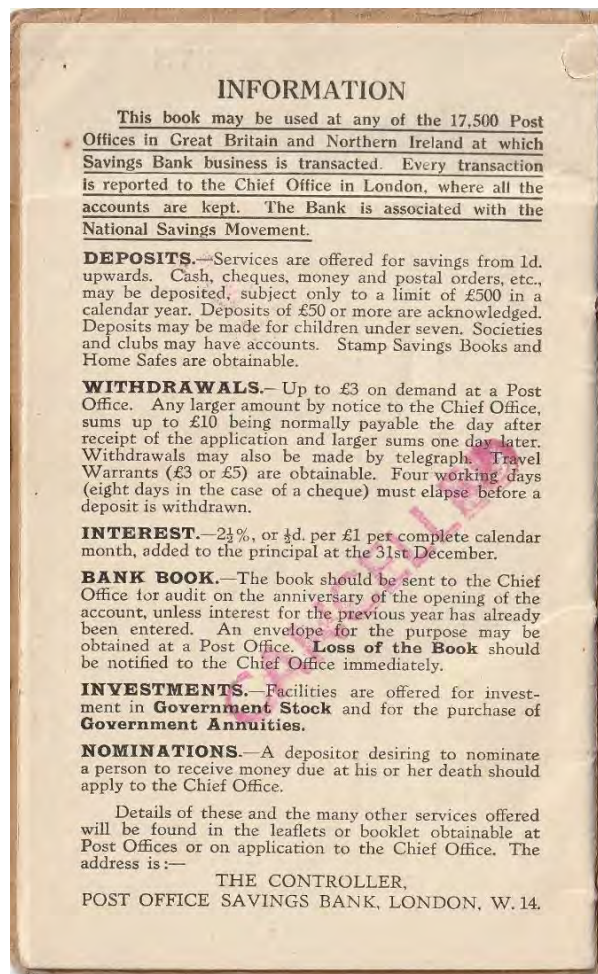
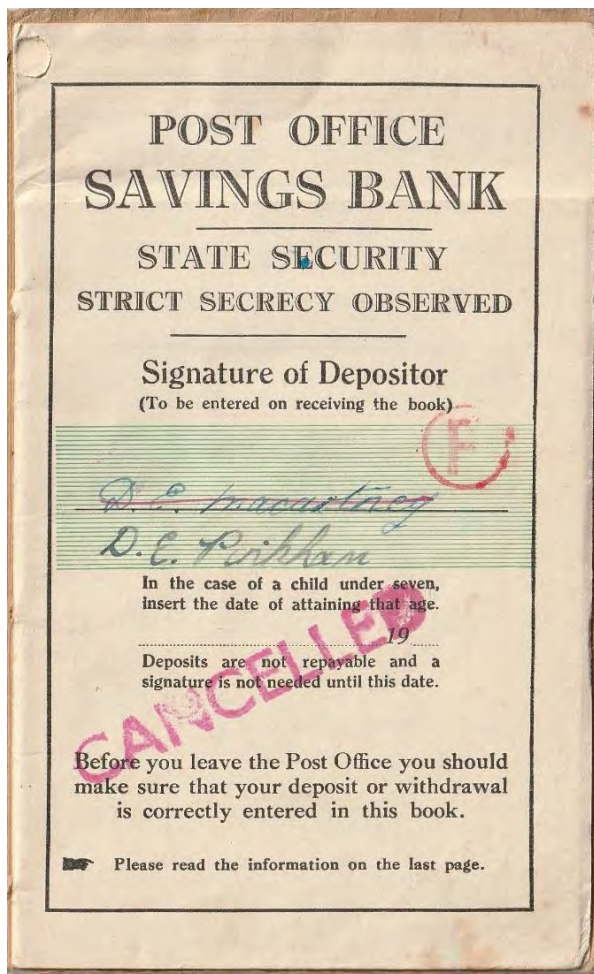
Top Left, Alphabetical List of Holders.
 Top Right, Alphabetic List Drawers.
 Left, Counterpart 'A'.



We have already seen at the beginning of this chapter, the Savings Stamp books that could be used at the Post Office. Savings Stamps could be bought and fixed into the books, and they could be kept, similar to a savings account, or cashed in at any time. The other way of saving with the Post Office was to open a Savings Account for which a Savings Book would be issued. The book on the left is from the Hammersmith Branch of the Post Office Savings Bank. These savings accounts contributed to a large extent to the money made available for government use from Post Office sources. This particular book was opened on the 20th September 1940, by Miss D. E. Macartney. Amazingly, the book would continue to be used right up until the 16th December 1983, by which time Miss Macartney had got married to become Mrs. Pinkham, and had moved from Hammersmith to West Ealing.

Name <i>Miss D. E. Macartney</i> <small>(with title and initials)</small> <i>Pinkham</i>		Account HAMMERSMITH			
Address 8. DOWNSIDE CRESCENT. WEST EALING, W. 13 <i>6102 N/43 MD</i>		This description must be quoted in any enquiry No 91729			
Any change of address, unless temporary, should be recorded here by the depositor.		This book should be sent to the Chief Office every year on the <i>Sept 20</i> unless interest for the previous year has already been entered.			
Date of Deposit or Warrant, &c.	Amount of Deposit in Words or Method of Withdrawal.	DEPOSITS £ s. d.	WITHDRAWALS £ s. d.	Initials	Date Stamp.
<i>20 Sept 40</i>	<i>Nine Pds</i>	<i>9</i>		<i>DP</i>	<i>HAMMERSMITH B.O. 20 SEP 40 W.13</i>
<i>1941</i>					
<i>May 3</i>	<i>Three pds</i>	<i>3</i>		<i>B</i>	<i>HAMMERSMITH B.O. 3 MAY 41 W.13</i>
<i>July 12</i>	<i>Demand</i>		<i>3</i>	<i>W</i>	<i>HAMMERSMITH B.O. 12 JUL 41 W.13</i>
<i>Aug 22</i>	<i>Demand</i>		<i>3</i>	<i>W.B.</i>	<i>HAMMERSMITH B.O. 22 AUG 41 W.13</i>
<i>Dec. 13</i>	<i>Six Pounds</i>	<i>6</i>		<i>W</i>	<i>HAMMERSMITH B.O. 13 DEC 41 W.13</i>
	Totals	<i>18</i>	<i>6</i>		

This book shows a label stuck over Miss Macartney's original details after she was married, and her original name has been crossed out and her married name written in. The various rubber stamps in the book show the different post offices she used during those years. The first stamp is from the Hammersmith Branch in King Street, dated 20th September 1940, when she opens the account with £9. These continue until 24th May 1943, when she visited the Post Office in Acton to deposit £5. Visits to the King Street Branch then continue until 8th October 1954, when she went into the Teignmouth Branch in Devon to withdraw £3. This was presumably while he was on holiday. Visits to Hammersmith then continue until she starts to use the Ealing Branch in Pitshanger Lane, London, from 7th November 1956 to 4th December 1961, with one exception when she deposited £40 at the Greenford Branch in Ealing on 19th July 1957. On the 20th August 1965 she withdrew £5 from the St. Mary's Bay, Post Office, at Romney Marsh, again, presumably on holiday. The final stamp is a second visit to the Greenford Branch on 14th March 1973, when she made a 'Special Withdrawal' of £100. After this date, interest continues to be calculated until 16th December 1983, when the account was finally closed, and the money (£107.84), was transferred to a new one. *Below* are pictures showing the first and last pages of this savings book.



We can see where Mrs. Pinkham has changed her name and the cancellation stamp after the account was closed. Note in the INFORMATION it says that 'The bank is associated with the National Savings Movement'. Also, under INVESTMENTS, it says 'Facilities are offered for investment in Government Stock and for the purchase of Government Annuities.'

The Trustee Savings Bank

From the outset, savings banks were small, independent retail finance institutions set up under democratic and philanthropic principles. They sought to create thrifty habits amongst small and medium-sized savers such as craftsmen, domestic servants or the growing proletariat, who were outside the well-to-do market that the commercial banks served.

In the first half of the 19th century, bank runs, or bank collapses were common, so savings banks had no safe outlet for their own deposits. To create trust among potential depositors, the Savings Bank (England) Act 1817 required funds to be invested in government bonds or deposited at the Bank of England. This requirement was extended to Scottish savings banks in 1835. From then on, regulation of savings banks in the UK was quite detailed, with several periods of "ill-health" and lack of trust in their capacity resulting in government intervention in most aspects of the operation and day-to-day management of savings banks, particularly the nature of their investment portfolios.

An essential feature of a savings bank in the UK was that depositors should have a guarantee of the nominal value of their savings, so that these could be withdrawn at their full value with interest no matter how long the deposit. Funds would be under control of voluntary managers or trustees, hence the roots of the name. This guarantee could not be achieved unless funds were held in securities with a similar guarantee. As a result of the 1817 Act all money received by trustee savings banks, other than that needed to deal with everyday transactions, was held by the Bank of England to the credit of the National Debt Commissioners. The Act specified duties of the treasurers, managers and trustees of the savings banks, none of whom was to derive any benefit from their office. This feature was to dominate the management of the T.S.B.s until the 1970s.

Savings banks paying interest on deposits (at a rate ranging from 3% to 5%) proliferated. The number of successful institutions in the UK grew until there were 645 in 1861. Their business remained in collecting low-volume deposits, as early attempts at market diversification had been curtailed by the Savings Bank Act 1891.

As we can see, the Post Office Savings Bank and the Trustee Savings Banks were controlled by the British Government. All money deposited in these banks was made available for public spending, with a return guaranteed by the government. This is why during the war, the National Savings Movement

always directed savers to open accounts in these banks which built up capital for the government to utilise. We must not forget however, that the main reason for saving was not to fund the government, although this was of direct benefit to the country, but to stop people spending. The war created millions of extra jobs and demand for workers and overtime resulted in increased wages and therefore, almost everyone had much more money to spend. The government was determined that this should be saved instead. When people begin to spend more, it results in inflation, with the consequences of higher prices. Also, the shops would find that they would be selling out of stock more quickly, with What foreign imports that retailers were able to access would take up valuable shipping space which could be used for more important wartime necessities such as food and armaments. Increased saving was the prime motivation for the government, and therefore, the National Savings Movement.



Glasgow Trustee Savings Bank poster which came out at the end of the war, sending the message to 'KEEP ON SAVING' and '...make our country worthy of the men who preserved it.'

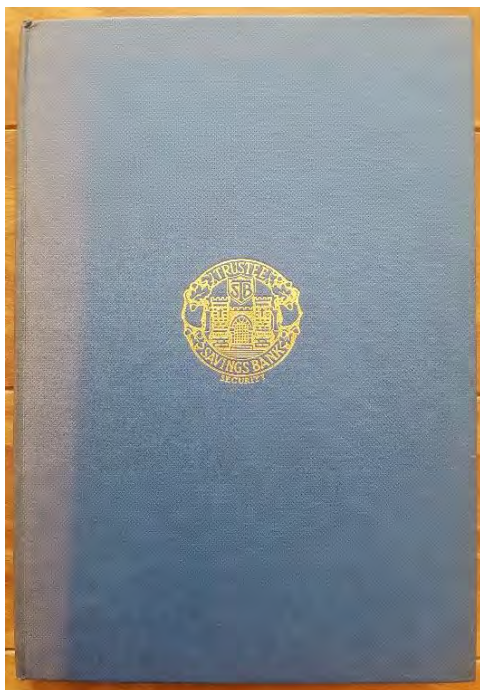
Many ordinary people in the 1930s had no savings to fall back on in hard times. Increased wages provided the opportunity to build up a savings pot for a rainy day, a special purchase, a holiday or even retirement. The National Savings Campaign brought about a step change in British society, vastly increasing the numbers of small savers. National Savings never stopped, but the extra 'push' that the annual Savings Weeks campaigns such as War Weapons Week and Warship Week, created during the war, had the effect of encouraging saving even more by setting targets, keeping it high in the public consciousness and providing the government with increased funds. It was hoped that the increase in public savings would continue after the war, which in many cases it did.

It might be assumed that this huge promotion campaign for National Savings would have created difficulties for the other major high street banks, but this was not the case. The

other banks recorded a similar increase in deposits although the government regulated how much interest they paid on savings accounts so that they did not offer a better return than National Savings

accounts or government bonds. Also, the extra money coming into the savings accounts at the banks meant that they were able to invest more heavily in government Gilts (Bonds), which in turn, provided the government with more cash to spend on war materials. The government sold these gilts to banks and other institutions as a way of borrowing money (they still do). However, they had to pay it back with guaranteed interest later, just the same as with the National Savings accounts. So, we can see that the cry sent out to the nation by the National Savings Movement, backed up by direct government policy and encouraged by the multitude of advertisements, posters, films and campaign weeks, had the required effect of increasing savings across the board.

'One Hundred & Fifty Years of Trustee Savings Banks'



In the process of my research regarding the role of the banks during the Second World War, I have found that following the end of the war, some had published a record of their activities. The Trustee Savings Bank (T.S.B.), published a book (*left*), called 'One Hundred & Fifty Years of Trustee Savings Banks' (A.R.B. Haldane, Trustees Savings Bank Association, pub. 1960). Obviously, this is not solely about their wartime efforts and this period is not covered in any great detail in the book, but it does give some specific details that it would be impossible to find elsewhere. The book quotes another author writing about the T.S.B. (E. Oliver Horne, 'A History of Savings Banks', Oxford, 1947), who said "*Modern war, the most egregious spendthrifts is*

the greatest known stimulus to personal savings." Unfortunately, I have not been able to find a copy of this book.

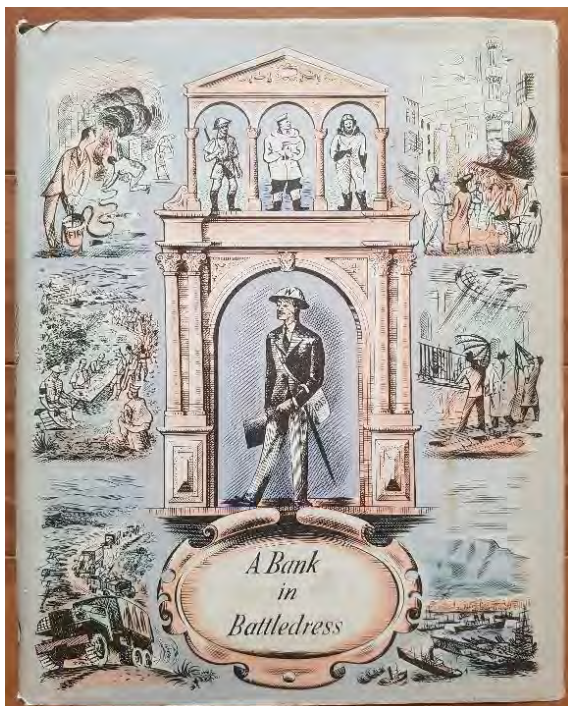
'One Hundred & Fifty Years of Trustee Savings Banks' confirms that the huge expenditure of the Second World War and the massive government Borrowing which it entailed, was matched by the unprecedented rise in personal incomes of savers, far transcending in number and diversity the section of the population formerly known as 'small savers.'

The Treasury made it widely known that investment in the Post Office and Trustee Savings Bank was of equal value to the government. The resultant growth of total Savings Bank deposits during the war years was enormous. The yearly increase in balances due to depositors in the Post Office and Trustee Bank rose from £120,000,000 in 1940 to £331,500,000 in 1944. In the Trustee Banks during the five years to November 1944, the number of active accounts in the Ordinary Department rose by nearly

1,200,000, while the average Ordinary Department Account increased from £61 in 1939 to £111 in 1944. When the war ended in 1945 the total contribution of the Trustee Banks alone in growth of deposits and sale of government stocks had reached well over £437,000,000.

The war had spread the habit of saving to all classes and ages, and by 1944 the 88 Trustee Banks in the Movement had a total of 741 branches. The formation of industrial savings groups (people working in factories and other workplaces forming a single group, often with voluntary, regular savings deducted from their pay packets), had been among the most distinctive contributions which the Trustee Banks had made to National Savings in wartime. The disparity between north and south in Britain was marked however, with Scotland having nearly one third of the total £600,000,000 Trustee Savings Bank deposits in the British Isles.

'A Bank in Battledress'



In 1948, Barclays Bank published a book telling the story of the bank during the war years. This book, 'A Bank in Battledress' was published for internal distribution only, but copies can be found on book sites. The book also covers the work of the bank across the world and does not enter into any great detail regarding personal savings accounts. However, one paragraph does illustrate the increase of small savings.

'The introduction of a comprehensive rationing scheme, starting with many kinds of foodstuffs and later spreading to clothing and other classes of goods...greatly restricted the outlet for rapidly accumulating balances in the hands of the public. As wartime production and expenditure got into their stride, with the consequent sharp increase in wages, bank deposits started on their upward swing, reflecting the ever-increasing amount of nominal spending power. This money provided constant support for the gilt-edged market and the government was able to borrow on a huge scale at reasonable rates without difficulty.'

This statement shows that Barclays, with the aid of its customer's savings, was helping to fund the government in exactly the same way as the Post Office and Trustee Savings Banks, and it is more proof that the message to save, was again, reaching its target audience.

Like most banks, Barclays continued with near normal opening hours during the war. As an emergency measure in case one of the branches was hit by a bomb, duplicate records were created for every bank and kept at another branch in a different area. This way, once the damaged bank was repaired or another location had to be found, the bank could carry on with normal business very quickly.

Barclays had numerous branches in many countries overseas and they had no idea how events would affect those operations. The book states at the beginning that, *'it was known everywhere that Britain had been late in re-arming and was by no means prepared for war.'* It's easy to see how this lack of preparedness by the government only made the acquisition of cash even more urgent, and in some ways, savers were literally 'paying' for this late response.



Above, Finsbury Circus Branch of Barclays Bank. Top, **Bills Receivable Department.** Bottom, **Correspondence Department.**

The first response from the government to affect the bank was to bring in Exchange Control, which stopped all unapproved transactions in certain foreign currencies, particularly U.S. dollars. All gold and these specified foreign currencies had to be handed into the banks authorised by the government to act for this purpose, Barclays being one of them. The owners were paid a standard rate set by the government which used these acquisitions to pay for the war.

On the left are two pictures of the Finsbury Circus Branch which was bombed on the night of Saturday 10th May 1941. Business was moved to another location which had been prepared for such an event. Two months later, the building had been repaired and business moved back.

As we know, the reason for saving during the war was as much to keep a lid on inflation as anything else. The Barclays history, however, tells us that between the beginning and end of the war, the cost of living in Britain rose by just over 33%. In other countries under British control, it shot up even higher with Egypt seeing a 200% rise! One of the biggest reasons for this? *'The enormous local spending by the Forces, both officially and individually. Operating as it did upon a diminishing volume of supplies, which sent prices of certain commodities to phenomenal heights.'* Clearly, as the civilian population was saving for all it was worth, the men of the armed forces of all countries were spending while they still had the chance.

The following table shows the movements which took place in the principal items in the Bank's annual balance sheet over the years 1939 to 1945 (000's omitted).

	30.9.39	30.9.40	30.9.41	30.9.42	30.9.43	30.9.44	30.9.45
LIABILITIES	£	£	£	£	£	£	£
Current, deposit and other accounts	106,638	126,500	156,936	190,824	247,773	282,175	321,497
Notes in circulation	1,461	1,430	1,582	1,508	924	788	707
Acceptances and other liabilities on account of customers	5,710	6,947	9,762	13,043	15,567	13,389	13,322
Reserve fund	2,100	2,100	2,600	3,100	3,600	4,100	4,350

How Current, Deposit and other savings accounts increased over each year of the war.

Finally, 'A Bank in Battledress' looks forward to the future (in 1948), with stark reality. I believe it outlines exactly why the National Savings Campaign and continued investment would be so important to Britain.

'The vast change in the economic position of this country called for the greatest effort on the part of all if the standard of living was not to suffer a drastic check. In various degrees, inflation, actual or potential, loomed largely on the horizon... Much of the Empire's capital resources had been sacrificed in the service of the war and a large proportion of this country's foreign investments had been realised. We had also suffered great losses in our internal assets by damage to our houses, by the deterioration of our railways, by the wearing out of our capital goods, by the conversion of our peacetime industries to a war footing, by the diversion of our man and woman power from its normal avocations and by the loss in battle of some of our young and most virile workers.

The re-orientation and replenishment of our industries, the need for a huge increase in the volume of our exports, the task of re-stocking our empty warehouses, the burden of the heavy war debt, the great experiments to which the country is committed, and the uncertainties associated with the programmes of nationalisation and state planning give bankers and others much food for thought.'

Counter Defensive – The Story of a Bank in Battle

Unlike Barclays Bank, which had branches worldwide, the Midland Bank only had branches in Britain (although it did have six in the Channel Islands). It was still one of the largest U.K. banks, and at the end of the war a book was published which covered the history of the bank during that period. This book was called 'Counter Defensive – the story of A Bank in Battle,' it was written by John Wadsworth and published in 1946 by Hodder and Stoughton. The book is still quite easy to find. As with all British



banks, as soon as war broke out the Midland was immediately engaged in activities associated with Exchange Control.

'...the Defence (Finance) Regulations, introduced in late August 1939, had become familiar to the business world. The control of new capital issues, the registration of securities [Bonds etc.] payable in foreign currencies and the complete and detailed control of foreign transactions, including the compulsory acquisition by the Treasury of gold and some foreign currencies in the hands of residents, all had become part of the new and arduous duties undertaken by the banks...Overseas resources represented a considerable source of strength, but they needed to be gathered together from the hands of thousands of individual owners into those of the authorities to be used most

effectively in buying the means of war and supporting the foreign exchange position. For this bank, with its large foreign business, the task was formidable.'

The bank collected together all personal holdings of gold and various foreign currencies that had been



put in their safe-keeping and these were then surrendered to the Treasury. When all private securities had been passed to the Treasury, they were secretly shipped to Canada as invasion seemed imminent.



Savings groups were formed in most Midland branches, an aggregate of £927,000 being subscribed during the war years through staff schemes for investment in National Savings Certificates or Defence Bonds. Whenever special National Savings weeks were arranged, the bank and its staff assisted in every possible way (left). Investments from its own National Savings and War Bonds account amounted to £828 million.

FRONT ENTRANCE TO HEAD OFFICE OF THE BANK DECORATED IN SUPPORT OF WARSHIPS WEEK (1942) AND THANKSGIVING WEEK (1945). SIMILAR MEANS WERE EMPLOYED TO ATTRACT SAVINGS IN EACH OF THE ANNUAL CAMPAIGNS.

Early on, the different banks agreed to confine lending only to purposes connected with the war effort. This would guard against people taking out

too much credit and bank resources would be confined to essential war purposes. Also, as part of the re-direction of investment into various types of war bonds and savings, interest rates allowed on deposits were regulated. After mid-1940 no sum, however large or for whatever period, would receive more than one percent, and by far the majority of customers' balances received much less than that.



The Midland Bank at Witham, Hull, before and after a raid.

The Midland Bank suffered greatly during the German bombing. On one night alone, in April 1941, sixty-one branches of the bank were damaged, and less than a month later, on another night of enemy activity, fifty more suffered from bombardment. During the war Thirty-one were completely destroyed. Business resumed as soon as possible after repairs were carried out or other premises were found if the building had been totally destroyed. Even during the worst period of the blitz, the banks remained open after the sounding of the air raid sirens for the transaction of urgent business during the period of a raid. The banks opened on weekdays between 10am and 2pm, and 9.30am to 12 noon on Saturdays, this was just one hour less than in peacetime. In 1942 however normal closing at 3pm resumed. If it became necessary for the staff to take cover during a raid when bombs were falling particularly close, banking services would still be provided inside, and the doors would not be locked or bolted although they would be closed. In these

cases, customers would be taken into the basement or strongroom area where the bank conducted 'business as usual.'

During the war not a single strongroom in any of the bombed banks was destroyed, which the bank said was to the credit of the British safe makers. The contents were always found to be intact and the locks in good order. Not all the bank staff came through the bombing unscathed, however. Altogether, out of the whole staff of the bank twenty-two men and three women lost their lives in air-raids, and of these, six men and one woman were killed in the course of banking duties or on fire-watch.

By August 1945 the Midland Bank's total deposits was £1,050 million, which was more than twice the figure for pre-war years. These enlarged resources were lent to the government, mainly in the form of Treasury Deposit Receipts, which in August had accounted for £455 million, but also by additions to the bank's investments in Government securities, which then were more than £120 million larger than at the outbreak of war. These figures prove yet again, that all of the high street banks were using their savings accounts to finance the government in the same way as the banks that were operating the official National Savings accounts. These three examples, Trustee Savings, Barclays and Midland Banks,

SUBSCRIPTIONS THROUGH THE BANK TO GOVERNMENT ISSUES AND TAX RESERVE CERTIFICATES DURING THE WAR YEARS, INCLUDING THOSE FROM CUSTOMERS AND FOR THE BANK'S OWN ACCOUNT

(The figures for Treasury Bills and Treasury Deposit Receipts are given in the table on pages 100—101)

Amounts in £ millions

	YEAR ENDED AUGUST						Total
	1940	1941	1942	1943	1944	1945†	
National Savings Certificates* ...	12.2	13.1	13.0	13.4	11.6	9.0	72.3
3% Defence Bonds*	15.2	20.4	17.2	14.1	12.8	8.9	88.6
2½% National War Bonds ...	20.3	91.3	68.2	61.1	58.6	26.3	325.8
3% War Loan							
3% Savings Bonds							
1½% Exchequer Bonds ...							
Tax Reserve Certificates (introduced in 1942) ...	—	—	64.7	93.8	94.6	88.5	341.6
	47.7	124.8	163.1	182.4	177.6	132.7	828.3

* The amount which any individual may hold is limited.
 † In this period no savings weeks were arranged, Thanksgiving Weeks being held in the autumn of 1945.

are an indication of what I am certain was happening at the other British banks at this time. On the outbreak of war, the 'Big Five' independent banks: National Provincial, Westminster, Midland, Lloyds and Barclays, between them controlled two thirds of Britain's banking business. I have not been able to find published histories for all of them, but their stories will all have been similar. *Left*, we can see how much the Midland Bank invested in National Savings Certificates and Defence and War Loans throughout 1940-1945.

The Westminster Bank

I have been unable to find a book covering the history of this bank during the Second World War

but did discover a small booklet published by the National Westminster Bank in 1984 (the Westminster Bank merged with the National Provincial Bank in 1970). This booklet gives some very brief information about the Westminster Bank during the war when it was at 1. St. James's Square, London. The bank was an early casualty when at 7.30 in the evening of Monday 14th October the adjoining Canada Life Assurance Co. offices were completely demolished by a high-explosive bomb and the bank so extensively damaged that only the ground floor of the greater part of the building could be retained. A counter service was operated from nearby St. James's Street Branch while the wreckage was cleared and for the remainder of the War the branch operated from half the banking hall and the basement where a makeshift counter in the strongroom entrance was manned during the flying-bomb attacks in 1944. After the War many members of staff returning to the bank and civilian life attended refresher courses held in adjoining upper rooms in Charles II Street.

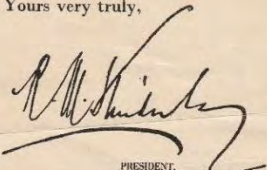


Westminster Bank, 1, St. James's Square London, before and after being bombed.

It was possible for savers to buy War and Defence Bonds through their banks. *Below left* is a leaflet issued by the National Savings Committee with advice to savers on how to approach their banks regarding the purchase of National War Bonds. This leaflet is also an order form for the purchase of War Bonds of £100 or multiples of £100, to an unlimited amount, from the Bank of England; or £25 or

WAR SAVINGS CAMPAIGN
*National Savings Committee,
 Sanctuary Buildings,
 Westminster, S.W. 1*

Dear Sir or Madam,
 Should you wish your Bankers to do so they will be happy to purchase $2\frac{1}{2}\%$ National War Bonds on your behalf on receipt of your instructions on the attached order form duly signed. You can purchase Bonds of £100 or multiples of £100 (Bank of England issue) to an unlimited amount.
 Bonds of the Post Office issue can also be obtained through your Bankers (or at any Post Office) in amounts of £25 or any multiple of £5 in excess of £25 up to a maximum of £1,000.

Yours very truly,

 PRESIDENT.

TO THE MANAGER
BANK
BRANCH

* Please purchase for me £..... $2\frac{1}{2}\%$ NATIONAL WAR BONDS 1945-47
 * Please purchase for me £..... $2\frac{1}{2}\%$ NATIONAL WAR BONDS 1945-47 OF THE POST OFFICE ISSUE.

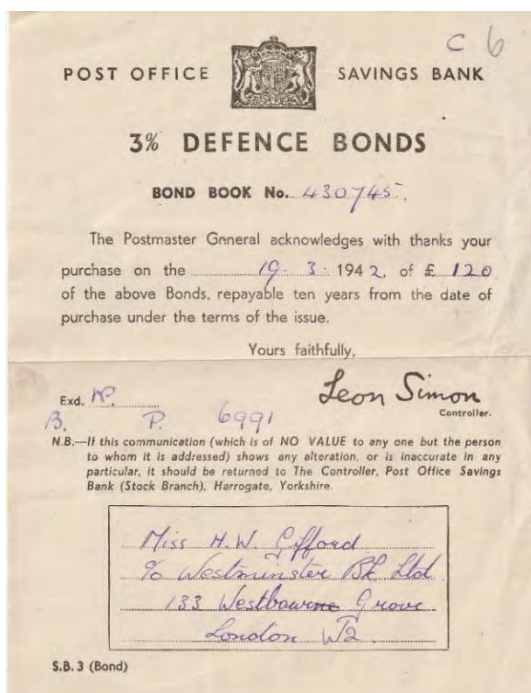
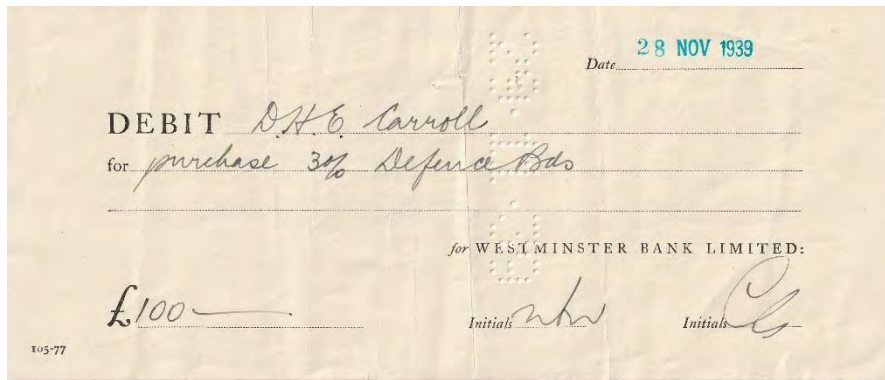
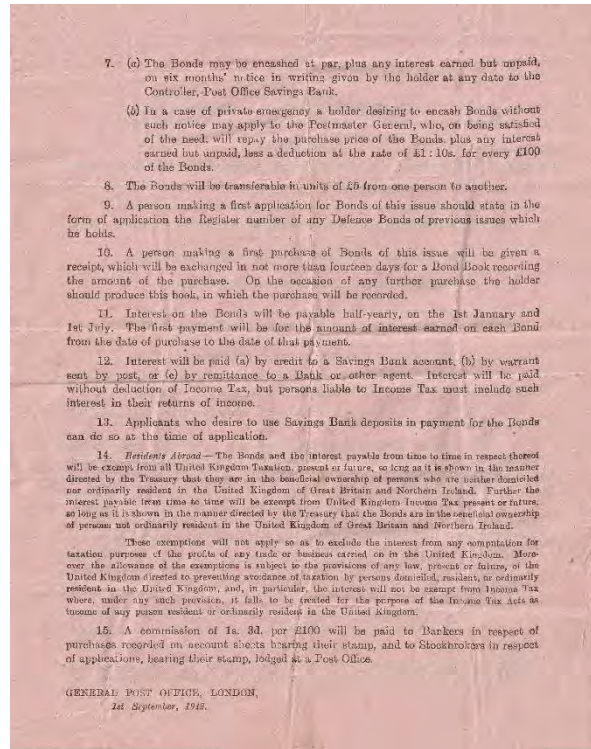
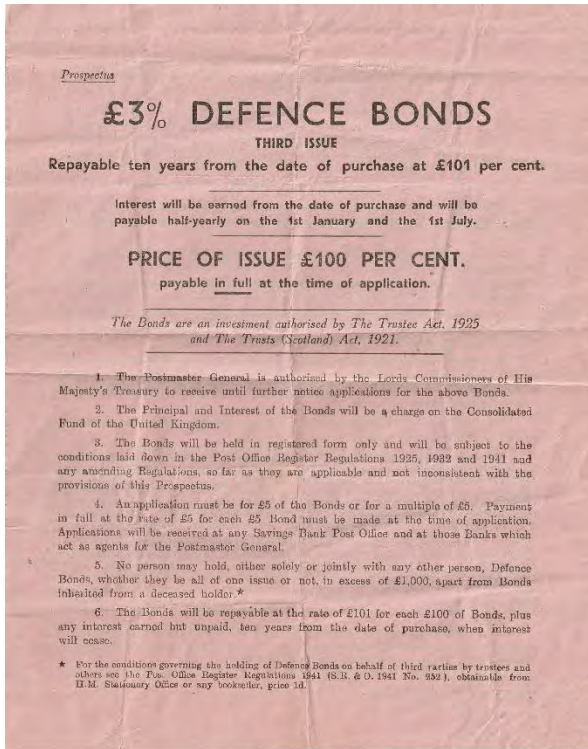
I authorise you to debit my account.

Signature..... 2d......
 Date..... STAMP.....

* Strike out the alternative not required.
 51-7709

multiples of £5, to a maximum of £1,000, from the Post Office. Either way, the bank made the purchase using funds in the buyer's account. These particular Bonds were the 1945-1947 issue. This leaflet carries the printed signature of Lord Kindersley, the President of the National Savings Movement.

On the following page is a nice example of 3% Defence Bonds purchased from the Post Office by the Westminster Bank on behalf of their customer, Miss H. W. Gifford. We know the bank made the purchase as the address on the Bonds is 'C/O Westminster Bank Ltd. 133, Westbourne Grove, London, W.2.' These Bonds, to a total of £120, were purchased on 19th March 1942, and were repayable in ten years.

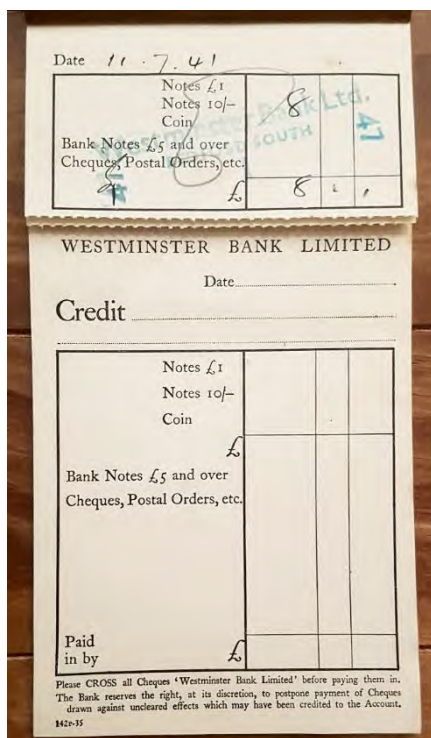


Top: Prospectus dated 1st September 1942 for the purchase of £3% Defence Bonds, Third Issue.

Middle: Receipt from the Westminster Bank for £100 worth of 3% Defence Bonds.

Left, 3% Defence Bonds purchased by the Westminster Bank on behalf of their customer, Miss H. W. Gifford.

Below, a wartime period Westminster Bank chequebook and cheques. This belonged to the Bedford Auxiliary Fire Service Savings Group. The cheque below is dated December 17th 1941.



Left, Westminster Bank book of deposit slips for use of the Bedford Auxiliary Fire Brigade Savings Group. The slip on view is dated 11th July 1941 and these would have been used to deposit money in the Group's Savings Account