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PART CIV.

THE TRUSTEE SAVINGS BANKS OF GREAT BRITAIN AND IRELAND.

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The work of the Trustee Savings Banks has been an important factor in the economic and social progress of the United Kingdom from 1817 to the present time.

In November, 1928, the Deposits in the Ordinary Departments, all of which are placed in the hands of the National Debt Commissioners (except what is retained in the Local Joint Stock Banks for daily needs), amounted to £81,658,417. There were also deposits in the Special Investment Department, the funds of which are invested in various ways, as I shall explain later, amounting to £38,853,110. Total cash deposits, £120,511,527. The total amount received by the N.D.C.* from August, 1817, to November, 1928, was £335,628,533. Government Stock on the register of these Banks amounted to £35,727,016. The total of Cash and Stock was £155,238,543. Other countries rapidly followed the example of Great Britain, and the magnitude of the movement may be judged from the International Thrift Congress held in London on 7th-11th October and attended by representatives of 29 countries. I shall refer to this later on, but must now go back to review the story of the Banks from the beginning.

Towards the end of the eighteenth century Savings Banks were started in several places in Great Britain. These were charitable institutions started to assist deserving persons such as domestic servants. The interest paid was not dependent upon that earned by the investment of the savings but was fixed above the ordinary rate as a bonus to deserving persons. Several prominent men recommended State Banks, but the first Savings Bank established on self-supporting principles

* To avoid repetition the initials N.D.C. are used throughout for National Debt Commissioners, and T.S.B. for Trustee Savings Banks.

was the Bank set up by the Rev. Henry Duncan at Ruthwell. a small village in the County of Dumfries. Mr. Duncan was the Minister of the Presbyterian Church of Ruthwell. He was a man of wide attainments, a promoter of cheap literature, a geologist, an archæologist, and eminent in his own Church, of which he was appointed Moderator in 1839. He was a leader of the minority who left the Established Church of Scotland in 1843 and formed the Free Church of Scotland. He was intimately acquainted with the lives of his parishioners, knew their circumstances and how they supported their Friendly Societies. But he was convinced that they could save small sums if there were safe places in which to put their savings. He interested some of the well-to-do persons in the neighbourhood, drew up rules, and opened the Bank in his own house in May, 1910.

There were elements not of a strictly independent Bank in the Ruthwell Bank. Honorary members paid £1 a year; extraordinary members paid 5/- a year. Inquiry was made into the character of a depositor before accepting his money, and a fine of one shilling was imposed upon any depositor who failed to deposit 4/- in each year. The usual interest paid on deposits was 4 per cent., but a depositor of three years standing whose deposits amounted to £5, or who married, received 5 per cent. The depositors met sometimes to consider the affairs of the Bank. A good deal of the management of the Bank was done without charge by Mr. Duncan himself. A surplus of £70 which accrued in the early years was expended, with the consent of the depositors, upon the building of a schoolhouse.

Mr. Duncan's enterprise soon became known through the south of Scotland. The rules and regulations of his bank were printed, and became the model for banks in other towns. A Bank was opened in Edinburgh in 1814. This Bank discarded the charitable elements in the Ruthwell bank (*i.e.*, investigation into character of depositor, varying rates of interest, depositors' share of management) and its rules became the standard for other banks. The example of the Scotch banks was soon followed. By the end of 1916 70 banks had been established in England, 4 each in Wales and Ireland. The movement now attracted the attention of politicians. The Right Hon. George Rose, Treasurer of the Navy, introduced Bills for England and Ireland into the House of Commons in 1917. The Scotch Banks, under the guidance of Mr. Duncan, objected to the inclusion of Scotland in the Bill. His reasons for this, as given by his son, were: " One most objectionable part of the Bill, as referred to Scotland, was the introduction into it of many complicated clauses for giving to the banks the benefit of Government securities, necessary for those in England, but worse than useless at that time in Scotland, where the safety afforded by the chartered banks was indubitable, and the interest allowed by their indulgence being one per cent. higher than in ordinary cases, considerably more than these securities allowed."

It is worth noting that in the Irish Act there is a section that the trustees may deposit up to one-fifth of their deposits in a Joint Stock Bank, and that the banks may pay 6 per cent. interest to the trustees. The English Act forbids the trustees to pay to Joint Stock Banks more than is required for the exigencies of the Savings Banks. Both Acts gave the trustees power to lodge their funds with the National Debt Commissioners.

In 1817 the Scotch banks were paying 5 per cent. on the money received from the Savings Banks, but in 1824 they reduced the interest, and then Mr. Duncan became desirous of obtaining for the Scotch Banks the privilege of putting their cash in the hands of the N.D.C. The Act of 1824 was then passing through Parliament, but the Government refused to give Scottish banks the privilege of investing their funds with the N.D.C. unless the whole Act was extended to Scotland. Mr. Duncan would not consent to this.

However, in 1835 the English Acts were extended to Scotland, but the existing Savings Banks were allowed, if they wished, to continue under the Act of 1819.

Most of the Banks registered under the Act of 1835, but some did not. I have not been able to get a list of the Savings Banks now operating under the Act of 1819, but the figures for four banks in 1927 are as follow:

Airdrie	£3,924.000
Annan	380,900
Dumfries	868,300
Greenock Provident Bank ...	1,845,400

A Bill was drafted specially for Scotland in 1819. It was opposed by the Edinburgh Savings Bank, but Mr. Duncan went to London and interviewed leading Scotch and English statesmen, and the Act of 1819, 59 Geo. III., c. 62, was passed. The following is the description of the Act given in the life of Mr. Duncan by his son:

> " Its principal objects were to give a corporate capacity to the Managers, that they might thus be brought more directly under the protection of the laws, and that the legal disadvantages which attached to the pecuniary

> transactions of self-constituted bodies might be removed—to exempt the transactions of Saving Banks from stamp duties—to render legal the discharge granted by a depositor during minority—to give to illegitimate children some new privileges with regard to deposits—and to enable managers to pay to lawful heirs the money of deceased depositors, without the expense of confirmation."

The Act is practically identical with the Acts of 1817.

The limits of the deposits in T.S.B. were at first (1817), in England, £100 in first year, £50 afterwards in each year, without any limit of the total deposit.

In June, 1824, the annual deposit was limited to £50 first year, £30 afterwards, total deposit not to exceed £200, exclusive of interest. In 1828 the total allowed was reduced to £150, exclusive of interest, and £200 including interest. The limit of annual deposit was raised to £50 in 1893. The War brought about a great change. All limits—annual and total—were removed after December, 1915. But in 1923 a limit of £500 was put on the annual deposit—the total being still left unlimited.

To the depositors the primary consideration is the safety of their money. The amount of interest is a secondary matter, which has been proved by the fact that when the interest was reduced the amount of withdrawals was quite small.

In connection with security, we come to the important part played by the State from 1817 upwards. The State provides legal assistance, at small cost, by the appointment of a Barrister, whose duty it is to certify the rules of the banks and to decide disputes between depositors and trustees. The State became the custodian of the Bank money. The Act of 1817 allowed the banks to hand over money to the National Debt Commissioners; the doing so became compulsory in 1824. The officers of the banks were required to give security, and the banks were required by the Act of 1824 to make regular returns of their transactions to the National Debt Commissioners within a few weeks after the end of the financial year, that is, the 20th November of each year. And the banks were directed to calculate interest of depositors half-yearly, to 20th May and 20th November in each year. The only power to compel attention to these requirements possessed by the National Debt Commissioners was the power to close a bank, and this power has, in fact, never been exercised.

The rate of interest allowed by the State to Savings Banks, and the rate fixed as the maximum payable by the banks to their depositors are shown in the following table:—

	Interest paid to the Banks.	Maximum payable by the Banks.
1817.	3d. per day – £4 11 3% per annum.	No sum fixed.
1828.	2½d. „ £3 16 0½	2¼d. per day – £3 8 5% p. ann.
1844.	£3 5 0	£3 0 10 £3 0 0
1880.	£3 0 0	£2 15 0
1888.	£2 15 0	£2 10 0
1920.	£2 17 6	£2 10 0

The interest paid by the State was, till 1880, in excess of the interest received. The difference was a bonus to encourage the work of such banks. The money received from the banks was put into a fund, called "The Fund for the Banks for Savings," and the National D.C. were required to report annually to Parliament what they did with the money. Up to 1824 the information given in the returns presented to Parliament referred only to the transactions of the banks with the Commissioners, but from 1829 the information is given not only of the amount due by the N.D.C. to the banks but also of the amount due by the banks to their depositors.

The obligation to make regular returns was repeated in the Act of 1828, and by the same Act the banks were required to remit their surplus funds to the N.D.C., and it was provided that no interest should be paid on the surplus funds on the ground that the surpluses were due to the high interest paid by the State to the banks.

The net balances of income for the 50 years, 1876-1925, were as follow:—There was a deficiency of income in 26 years out of 32, from 1876 to 1908. The total deficiency made good by annual Votes in Parliament was £777,645. From 1909 onwards there has been an annual surplus, increasing from £5,993 in 1909 to £916,912 in 1927. Half the surplus is annually paid to the Exchequer, and deducting from this the loss from 1876 to 1908, the net surplus received by the Exchequer was £2,790,635. It is also necessary to remember that the State has derived considerable benefit from handling the money of the Savings Banks. The Committee of 1858 said in their report: "The command over Savings Bank cash is a material relief to the Exchequer at critical moments and facilitates the ordinary transactions of the Treasury in regard to the Exchequer bills."

But the most serious loss to the State is that due to the depreciation of the Government Securities in which the S.B. funds were invested by the N.D.C. At the end of last century there was a surplus of assets over liabilities, but the fall in the value of Consols caused by the Boer War, and the still greater fall in all securities due to the Great War leaves a large deficit on the valuation of liabilities and assets at present prices. The deficiency is estimated at from 15 to 20 per cent., but precise figures have not been published. In the table of the securities held by the N.D.C. published in 1927, the securities carrying interest at 3 per cent. and less amounted to over £58,000,000 at par., against a liability of over £82,000,000.

The Separate Surplus Fund.

The Act of 1824 laid down that no part of the surplus funds of a bank should be used till 10 years after the establishment of the bank, and that half the surplus must be retained as reserve to meet deficiencies. The Act of 1828 gave permission to the banks to distribute the existing surpluses according to the rules of the banks, but required all future surpluses to be paid over to N.D.C. and provided that no interest should be paid on the surpluses from November, 1828.

The Fund gradually increased from £64,180 in 1829, to £257,282 in 1839, and £331,631 in 1844. The Scotch banks had in this year nothing to their credit in this fund. In 1880 the fund amounted to £448,559, £405,122 of which was to the credit of banks then open. Of this total £4,140 came from Scotland and £7,448 from Ireland. But from this time interest was paid by the N.D.C. on all money deposited after November, 1880, and in 1891 the Fund amounted to £494,469, of which interest was paid on £116,640.

In 1902 the amount bearing interest was £282,000, and not bearing interest, £375,000, which includes surplus funds of closed banks.

In 1913 the total was £637,062, of which £188,724 came from Scotland and £19,968 from Ireland. In 1928 the surplus funds of banks open amounted to £1,217,546, and the surpluses of closed banks amounted to £219,249, making a total of £1,436,795.

Progress of the T.S. Banks up to 1861.

The opening of new banks and expansion of deposits went on steadily from 1817 to 1861, as may be seen by reference to the Table page —. Some banks failed, which created uneasiness in the minds of the public, so that in 1858 a Committee of the House of Commons was appointed to inquire into the system. A great deal of the time of the Committee was devoted to the way in which the N.D.C. handled the money received from the trustees. Many facts of interest were brought out, but I shall not refer to them, because the trustees are not concerned with these operations, whether wise or not. Everyone agreed that the State is bound to repay the money received from the banks in full, whether they made a profit or loss in handling the money. Mr. Gladstone, then Chancellor in the Palmerston Government, made the following statement:

"The trustees have nothing to do with the money; that is a mere question of investing it with which we are alone concerned. If we lost every farthing of it, we should have to pay it to them, and if we made a profitable investment of it, it would be entirely our own affair."

The State guarantee of the depositors' money extends only to the funds entrusted to the N.D.C., but the important question remained—what security have the depositors that their money is, in fact, paid over to the N.D.C The obligation to pay it to the N.D.C. is laid down clearly by statute, but was the law obeyed? The failures of certain banks showed that in these cases the trustees had failed to discharge their obligations, but the failures were few and the loss that ultimately fell upon the depositors was small in comparison with the large sums handled by the banks. The trustees are also obliged by law to render statements weekly and annually of their transactions to the N.D.C., but it was shown that the N.D.C. had no organisation whose function it was to examine and check these returns, and, in fact, it was proved that in one case a bank known to be in default was allowed to continue to operate for 17 years before it failed. Mr. Sikes, M.P, for Huddersfield, a trustee of a Savings Bank and a Director of a Joint Stock Bank, strongly urged that a National Savings Bank should be established in which the State should guarantee repayment to every depositor. This proposal was adopted, and Post Office Savings Banks were started in 1861.* The deposits in T.S.B. fell from 41,542,220 in 1861 to £38,819,663 in 1871, and the number of banks fell from 645 in 1861 to 489 in 1871. The banks which closed were, for the most part, those in small towns and country districts. It is obvious that unless the deposits reach a substantial sum the margin of income out of which expenses are paid is insufficient to pay for a sufficient staff to supply the checks which are necessary for security. But it was expected very generally and predicted by persons of experience that T.S. Banks would disappear altogether. The results have been quite different. The deposits have steadily risen—see Table on p. 19. Some banks began to make use of the power to make investments otherwise than with the N.D.C., which they had possessed since 1828.

* Dr. Neilson Hancock, in April, 1852, in a paper read to the Statistical Society in Dublin, said: "There can be no doubt that a Government institution like the Money Order Office, with Government officers and Government security for those officers, would be infinitely better than the present system of charitable Savings' Banks, with divided responsibility and absence of security." . . .

Special Investment Departments.

These investments were authorised by the Act of 1828. This was done to meet the case of depositors whose savings had reached the limit of deposits, viz., £150, not including interest, and £200 including interest.

This section was repeated in the Consolidation Act of 1863, but little use of this power was made for many years. The Perth and Exeter Banks are the only ones I can trace having used this power prior to 1870.

The Exeter S. Bank worked by means of "Collecting Agencies," and in 1858 it had 100 of these. 3 per cent. was paid to the depositors, and the sum invested outside the N D.C. was £21,383.

The Perth Bank started investing "otherwise than with the Commissioners" in 1839. They transferred £140,000 of their cash to local banks, which at that time were paying a larger rate than paid by the N.D.C., and when the banks reduced the rate they again handed the cash to the N.D.C.

The transactions in the Special Investment Departments were not required to be reported to the N D.C. till 1886. In that year 18 banks made returns, but the figures are given for each bank and not summarised. The total of the investments for 19 banks amounted in 1888 to £4,061,669.

The expansion of the work of the banks in this direction and the occurrence of defalcations in some banks and of one failure led to the appointment of a Committee by Parliament in 1888. The report of this Committee led to the passing of the Act of 1891, which took away the power of investing funds with local authorities, and laid down that no bank not already having a Special Investment Department could open one. Thus a check was put upon the expansion in this direction, and in 1901 there were only 14 banks with these departments—the total of the deposits being £4,441,310.

The Glasgow Bank then formed a special company—The Savings Investment Trust, Ltd.—which was carried on till the Act of 1904 restored the wider powers of investment.

The War had a serious effect upon the work of the Special Investment Departments. I quote from the report of the Committee on Municipal Savings Banks. "When the rate of interest rose and capital values depreciated, the position of some of the banks became difficult. The Trustee Savings Bank Act, 1918, was the result." "To meet the immediate difficulty it was provided that any deficiency on account of a special investment department should, if that department came to an end, be met :—

(*a*) from the reserve of the ordinary department of the particular bank, and if that proved insufficient,

(*b*) *pro rata* from the reserves, both of the ordinary and the special departments, of all banks making special investments, and from the separate surplus fund standing to the credit of closed banks.

To guard against future difficulties the Act—

(*a*) limited future investments to securities repayable on six months' notice or in one year, or, in the case of Government securities, in three years;

(*b*) required an annual valuation of the investments based on current market prices, or, in the case of unquoted securities, on the rate of interest and the date of repayment;

(*c*) gave the National Debt Commissioners powers of control generally, and in particular over the purchase and sale of investments, the rate of interest to depositors, and expenses of management.

It was never actually necessary to have recourse to the guarantee fund and careful administration of the provisions of the Act of 1918 has placed the Special Investment Departments on a thoroughly sound basis, every bank now showing a surplus of valuation."

The rate of interest paid to depositors in the Special Departments is not fixed and is not uniform, but it has, under the Act of 1918, to be approved by the N.D.C. It was at first $2\frac{3}{4}$ per cent. It rose to 4 per cent. after the War, and then fell to 3 per cent. In July, 1927, the rates varied from 4 to $3\frac{1}{4}$ per cent. The cost of management in 1926 was 8/6 per cent. on the amount of deposits. The cost in the ordinary departments is about 7/- per cent.

The Inspection Committee of Trustee Savings Banks.

The officers of the National Debt Commissioners, giving evidence before the Committee of 1888, explained that they had little power to enforce their regulations and demands, and the Act of 1891, in accordance with the report of the Committee, established the Inspection Committee of Trustee Savings Banks. The constitution of that Committee was as follows:—It consisted of 7 persons—one appointed by the Governor of the Bank of England, one by the Council of the Institute of Chartered Accountants in England and Wales; one by the Council of the Incorporated Law Society, and one by the Chief Registrar of Friendly Societies, and three other members co-opted from a list of persons nominated by the trustees and managers of banks having a sum of not less than £500,000 invested with the Commissioners.

The Trustee Savings Banks Association was formed by 60 of the larger banks, including Belfast and Dublin, in 1887, Sir Albert K. Rollit being Chairman, a post which he occupied for over 30 years, and it was largely due to him and the support of the banks that the Inspection Committee was created. The duties of this Inspection Committee are very important. They have paid officers—a secretary and inspectors. These latter visit all the banks once or twice every year, and see that the regulations laid down for the management of the banks are carried out properly. Where there are any difficulties the inspectors report to the Inspection Committee, and the Committee takes up the matter with the trustees, and almost invariably their requirements are complied with. The Committee is thus the intermediary between the trustees and the National Debt Commissioners. No new bank can be started; no old bank can be closed without the approval of the Inspection Committee. It receives the reports of the banks regularly and supervises the expenditure, and if excessive they draw attention to the matter and require the banks to reduce it.

The work of the Inspection Committee resulted in the checking of a number of irregularities, that is, statutory defaults and defects and breaches of bank rules and regulations. The number of these in the case of 221 banks in 1895 was 243, and the number in the same banks in 1902 was 89. They keep a close watch upon the amount of interest paid to the depositors; the amount fixed by statute is only the maximum paid to depositors, and in a great many cases banks have paid less than the maximum amount. The Inspection Committee have steadily urged on the banks the necessity of bringing the payment up to the maximum, and their efforts have been so successful that at present practically all the banks pay the maximum of 2½ per cent. They also urge upon the banks to increase the hours of opening so as to render the utmost service possible to the public. They act entirely in a friendly way towards the banks. Their whole object is to render the banks more efficient, and if the trustees of a bank are inclined to close it, and this seems unnecessary to the Inspection Committee, they send down a representative to confer with the trustees, and generally succeed in getting them to carry on by improving their methods or otherwise.

No bank has failed since the appointment of this Committee, and the increased confidence in the management of the banks was shown by the report of the Parliamentary Committee of

1901. Again Sir A. K. Rollit took the lead in setting forth the work of the banks and the need for increased powers which were given by the Act of 1904, which restored the power to invest in the funds of local bodies and gave power to any bank with deposits of £200,000 to open a Special Investment Department with the approval of the Inspection Committee. In 1905 15 banks were granted permission to open these departments, and in 1928 the number had increased to 58, with deposits amounting to £35,727,016.

The Inspection Committee issued a circular letter to the banks setting forth the additional powers given to the banks by the Act in regard to the assistance given to Penny Savings Banks, the superannuation of officers, the purchase of property, the amalgamation of banks, and the formation of special investment departments.

By amalgamation and the opening of new branches the number of banks has been steadily reduced without diminishing the number of places in which the banks are operating. Thus at November, 1928, the number of banks is 119, but the number of places where they are operating is 450. In London five banks were amalgamated in 1917. Aberdeen has 9 offices, Edinburgh 11, Glasgow 23.

The War and the Savings Banks.

The effect of the War on Savings Banks is noteworthy. The Post Office received notices of withdrawals for about £3,000,000 out of total deposits of £188,000,000, but a great many of the warrants were never cashed, and in a short time the whole of the money came back. In the T.S.B. the deposits fell from £69,453,886 at November, 1914, to £66,789,651 in 1915. Then War Loans began to be issued and the Savings Banks co-operated in getting subscribers to the loans, and later in the issue of Savings Certificates. Up to September, 1917, the P.O. and T.S. Banks combined collected for War Loans and Exchequer Bonds, £126,000,000; and for War Savings Certificates, £94,000,000; total, £220,000,000 Deposits, therefore, decreased in 1917, but from that time they steadily increased with working-class prosperity and the removal of limits on deposits after December, 1915. Comparing 1928 with 1913, the deposits in the Ordinary Department have increased by £27,399,556, in the Special Investment Department by £24,563,994, and the Government Stock on T.S.B. register by £32,932,093.

Competition with other Forms of Saving.

The Joint Stock Banks since 1904 have taken special steps to attract small deposits by opening thrift accounts, the deposits being acknowledged not by deposit receipts but by entries in a Pass Book like the Savings Bank Pass Books, and by the issue of home safes, a form of saving which was introduced by the Belfast Savings Bank in 1905, and which has now assumed large dimensions.

It is obvious that if Trustees Savings Banks extend the scope of their activities they provoke the rivalry of joint stock banks, so that I think they would be wise to work within their present limits. At the Thrift Congress a resolution was proposed to ask Governments to remove all limits upon deposits. But the British delegates objected, they do not object to the limit of £500 on the annual deposits which was imposed in 1923—leaving the total deposit unlimited. The resolution was withdrawn.

The Act of 1929.

This year an Act has been passed which gives various useful powers to T.S.B. It extends the field of investment in Government securities to those maturing any time not exceeding 20 years from the date of investment It removes the condition that a bank must have £200,000 of funds in the Ordinary Department before establishing a Special Investment Department, and gives the power to any bank to do so if it obtains the approval of the T.S.B. Association and the Inspection Committee. It permits the funds of closed banks to be used in establishing new banks after consultation with the T.S.B. Association. This is in accordance with a recommendation of the Committee on Municipal Banks, to which I shall refer presently. It enables T.S.B., with the consent of the N.D.C., to use up to 20 per cent. of the surplus in the Special Investment Department for the purchase of buildings. It also gives power to T.S.B. to undertake any business of a nature ancillary to the purpose of the bank and calculated to encourage thrift and within the financial capacity of the bank, provided the bank obtains the consent of the N.D.C., the T.S.B. Association, and the Inspection Committee. The Act also gives power to invest the property of the bank in custodian trustees instead of individual trustees. It also lays down rules as to the superannuation allowances to bank officials, and increases the limit of Government Annuities held by one depositor from £100 to £300.

Municipal Banks.

During the war, when local authorities were anxious to stimulate local savings, various cities sought power to establish municipal banks. This led to the passing of the Municipal

Savings (War Loan Investment) Act of 1916. Birmingham alone made use of the Act, and in 1919 the bank had deposits amounting to £323,123. But the city was not satisfied to work under the restrictions laid down in the Act of 1916, and, accordingly, clauses extending the powers of the Municipal Bank were included in the Birmingham Corporation Act of 1919. The business of the bank rapidly expanded under the new conditions, and in March, 1927, the deposits had reached £7,800,221, of which the sum of £5,464,754 was lent to the Corporation at call. It also made advances for the purchase of houses, and the amount outstanding under this head was £1,567,358. It also collected Corporation Accounts from depositors and others amounting to over £96,000 in the year ending March, 1927. The interest paid to depositors is 3½ per cent. The annual deposit is limited to £500. The total is unlimited. It is managed by a Committee appointed by the Corporation.

The success of the Birmingham Bank naturally led other cities to propose to establish similar banks, so in 1926 the Chancellor of the Exchequer appointed a Committee of 5 persons, Lord Bradbury being chairman, to consider whether it is desirable to permit a further extension of Municipal Savings Banks, and, if so, under what conditions. The report of that Committee was issued in November, 1927. It is an important document of 76 pages—including appendices. It reviews and compares the various facilities for saving given by T.S.B. and P.O. Banks, Savings Certificates, Building Societies, Co-operative Societies, and also refers to the Yorkshire Penny Bank with 28 millions of deposits, and the four Scotch Banks still under the Act of 1919. I give the principal conclusions in full:

1. Municipal Savings Banks would provide some additional incentive to thrift, but the proportion of new savings which they, and they alone, would obtain is small in relation to the whole.

2. They might tend to increase municipal expenditure, and would involve banking risks which might re-act unfavourably both on municipal finance and on the general credit system.

3. We think that the general establishment of such banks within the next ten years would cause serious embarrassment to national finance, during what is likely to be a very difficult period.

As to Trustee Savings Banks they say: "The financial basis of the Trustee Banks is so sound, and they are so firmly established, and having in the course of their long history come to inspire such great confidence and, indeed affection, in the minds of many depositors, that we consider it desirable that their activities should be more widely extended, their facilities better advertised, and their popularity made even greater than at present."

As regards the Birmingham Bank, they speak highly of it, but make some suggestions upon points which they think require attention.

Foreign Countries.

I must now say a few words upon the savings banks of other countries, and must refer to the International Thrift Congress—a meeting of representatives of savings banks from 29 countries—which was held in London, October 7th-11th, 1929.

The first point to which I would call your attention is that there is nothing like the Ordinary Department of the T.S.B. in any foreign country. That is to say, in no foreign country are the funds of the savings banks deposited with the Government at call. The Special Investment Departments of the T.S.B. compare to a large extent with the foreign banks, but the range of investments is much more limited. Also, the work done by the foreign banks covers a much wider field than the work of the Special Investment Departments of the British banks. Take Italy as an example. In addition to receiving deposits they open current accounts and make personal loans, and their investments, besides Government Securities and loans to the State and to municipal bodies, include advances on real estate and shares in bonds for companies or works of public utility. They provided half the capital of the National Institute of credit for co-operation. They also give loans to farmers, and made loan contributions to the Federal Institutes of Agrarian Credit of Tuscany, Piedmont, Lombardy, Emilia and Romagna, and Venetia, also the "National Association for the Agrarian Credit of Improvement."

The banks also formed "The Credit Institute of the Italian Savings Banks," which performs the service of issue of cheques and draft collecting and rediscount of acceptances. To secure the liquidity of their funds the banks are required to hold a substantial proportion of their funds in easily realisable securities, and to establish reserve funds, which must ultimately reach ten per cent. of their deposits. Until that limit is reached they must put seven-tenths of their annual net profits to the reserve fund. The remaining three-tenths may be devoted to works of beneficence, such as Marine Hospice at the Lido by the Venice S.B. Institute of Houses for dying persons, and Sanatorium for Consumptives by the Florence Savings Banks, and works of public utility, such as public baths, building popular dwellings, and generally from beneficence of almost an alms-giving character by the small banks to contributions to charitable foundations, beneficent or educational associations, scholarships, maintenance of universities, technical institutes, execution of works of art, and construction of monuments or public edifices.

In Germany the savings banks are allowed to invest in (1) Loans on landed property. (2) Personal credit in the form of loans against dead-pledges or promissory notes. (3) Loans to municipalities or public corporations. (4) Loans to purchase and economic co-operative societies. (5) Purchase of bonds to bearer. (6) Purchase of outstanding money credits. (7) Short term investments in banking institutes. (8) Purchase of their own premises.

To meet the friction which arose with the ordinary banks a "Competition Agreement" was come to in May, 1928, by which the limits of modern solicitation and propaganda are fixed.

The obligation to create reserve funds also falls upon the Special Investment Departments of the British Banks. The surplus of assets over liabilities at November, 1928, was £2,615,429 against deposits amounting to £38,853,110.

The savings banks of the British Dominions and the United States present the same phenomena, *i.e.*, wider range of services rendered to depositors, greater area of investments, formation of reserve funds, and I should add, variation in rate of interest paid to depositors.

State control is exercised more or less in most countries, as for example, in Italy by the Ministry of National Economy; in France by the "Superior Commission of the Savings Banks." In Holland supervision is exercised by the "Dutch Savings Banks Bureau," a body formed by the banks themselves, like the Trustee Savings Banks Association of Great Britain. In Sweden supervision is exercised by the Government Savings Bank Inspectorate.

Conclusion.

I will now attempt to summarize the record of the work of the Trustee Savings Banks. I desire to emphasize the fact that the work has been throughout done by leading citizens, without reward of any kind. The responsibility borne by the trustees and managers has been great, and the work is by no means insignificant. It involves vigilance, industry and intelligence, and makes a demand, not great but quite real, upon the time and energy of the managing boards. The great value of the work in teaching thrift and promoting saving has been repeatedly affirmed by Committees of the House of Commons, by Chancellors of the Exchequer, and by other leading statesmen. The beginning was small, but growth has been continuous. The State made contribution of great value to the movement. The banks passed through the commercial crises of 1825-6, 1847-8, 1857, and 1866 without serious loss. A few banks failed and committees of inquiry were appointed in 1858, 1888 and 1901. The first of these was followed by the establishment of the Post Office Savings Bank, the second led to the creation of the Inspection Committee, and the third made changes which led to the expansion of business in the Special Investment Departments. The successful working of the Inspection Committee is the key to the progress of the banks since 1891. It represents a happy combination of voluntary and official workers, and has given to the depositors full confidence in the security of their money. In conclusion, the Committee of 1902 said:

"They fully recognise the value of savings banks in promoting thrift, and they would not recommend any action which, in their opinion, would check this, or would tend to deprive our town population of the special facilities offered to them by the Trustee Savings Banks, and the unpaid public service rendered by many leading citizens who take an active part in the management of these institutions."

I now add a few words as to the progress of Trustee Savings Banks in Ireland.

In Table 2 I give the total deposits for a series of years, 1829 to 1928, and in Table 4 I give the variations in deposits of the eleven banks now open from 1829 to 1928.

It must be constantly borne in mind that the Irish Banks have been carried on in face of a steadily decreasing population. I give in Table 3 the population of the eleven towns in 1831, 1851, 1881 and 1926.

The number of banks decreased from 79 in 1836 to 13 in 1901. The decrease may be attributed to decrease in population, failures of several banks about 1847, and the opening of the Post Office Banks in 1861.

But the deposits have increased steadily all the time. Between 1841 and 1848 there was a drop of £944,240 which may be attributed to the failures of several banks about 1847, the famine and commercial crisis of 1847-8, and the reduction of interest in 1844 from $3\frac{1}{4}$ to 3 per cent. The members of the Statistical Society will be interested to know that Dr. Neilson Hancock wrote two papers about the Savings Banks, the first in 1852 and the second in 1855.

The failure of the Cuffe Street Bank, Dublin, in 1847 caused a loss of £30,000 to the depositors (50 per cent. of their holdings). Dr. Hancock set forth very forcibly the want of security of the depositors, and he urged that the banks should be closed. He, at the same time, recommended the opening of banks in connection with the Post Office, and in 1861, when Mr. Gladstone brought in a Bill to start Post Office Banks, the Statistical Society passed a resolution strongly approving of the proposal.

The warnings that Dr. Hancock uttered seem to me to have roused the trustees and managers to a stronger sense of their duty, for although many banks have been closed since 1851, I do not think there has been any loss to depositors.

In 1876 Dr. Hancock reviewed the positions of the banks and argued that they were no longer required and that the State should not contribute to their maintenance, but would make a profit by the transfer of deposits to P. O. Banks. He did not, however, insist so strongly upon the security afforded by the banks, and he acknowledged that the trustees and managers had " done a great service to mankind in laying the foundation of the great State function of protection of the savings of the poor and the industrial classes."

The Dublin and Belfast banks were among those that formed the T S.B. Association in 1887, and the Irish banks have shared fully in the valuable work done by the Inspection Committee.

Now let me say a word about Table 3, which reviews the careers of the 11 banks still open, all but Coleraine Bank have been open over 100 years.

The banks are arranged in the order of their deposits in 1829-1928.

The Belfast Bank is at the top from 1901 onwards, and its deposits are now more than 50 per cent of the whole.

Up to 1901 Cork had the largest deposits. The Dublin Bank has had a varied history. which I should like to go into if time permitted, but I will only point out the extraordinary advance made since 1918 from £207,260 to £481,923, an increase of 132 per cent. compared with an increase of 142 per cent. in the case of Belfast. It will be noticed that the amalgamations and opening of branches which have marked the progress of T.S.B. in Great Britain have not occurred in Ireland. Also, Belfast is the only Irish Bank which has opened a Special Investment Department. This was done in May, 1927, and in a year and a half the deposits in this Department reached £569,957.

If the Act of 1929, to which I have already referred, were adopted in Ireland, it might lead to expansion in this country, as 6 of the Irish banks have deposits in excess of £200,000, the amount required up to 1929 to qualify a bank for opening a Special Investment Department.

With this I must close, only expressing the hope that Trustee Savings Banks in Ireland may have a long career of usefulness before them.

TABLE I.—TRUSTEE SAVINGS BANKS, 1819 TO 1928.

Year	Bank No.	Deposits	Year	Bank No.	Deposits	Year	Bank No.	Deposits
		£			£			£
1819	359	2,813,023	1849	579	28,699,550	1871	489	38,819,663
1829	476	14,791,495	1859	625	38,726,676	1881	437	44,137,885
1839	541	22,486,553	1861	645	41,542,220	—	—	—

Investments in Stock by depositors were first authorised in 1880, Deposits in Special Investment Departments were first reported to N.D.C. in 1886.

Year	Bank No.	Deposits: Ordinary Department	Deposits: Special Investment Department	Deposits: Total	Government Stock owned by Depositors	Total Deposits and Stock
		£	£	£	£	£
1891	303	42,858,434	3,814,784	46,673,218	1,523,867	48,197,085
1901	230	51,966,386	4,396,031	56,362,417	1,813,013	58,175,430
1911	215	53,032,596	12,120,229	65,152,825	2,741,815	67,894,640
1913	202	54,258,861	14,289,116	68,547,977	2,794,923	71,342,900
1918	171	60,984,049	14,074,688	75,058,737	22,574,771	97,633,508
1921	152	73,084,021	19,220,794	92,304,815	29,442,788	121,747,603
1928	*119	81,658,417	38,853,110	120,511,527	35,726,016	155,238,543

* Open at 450 places, including branches.

TABLE 2.—TRUSTEE SAVINGS BANKS IN IRELAND.

Year	Bank No.	Deposits	Year	Bank No.	Dsposits	Year	Bank No.	Deposits
1829	65	912,869	1848	61	1,358,062	1869	44	1,061,771
1836	79	1,759,960	1857	51	1,749,580	1881	34	2,078,707
1841	76	2,302,302	1865	49	1,836,862	—	—	—

INVESTMENTS IN GOVERNMENT STOCK WERE FIRST AUTHORIZED IN 1880.

Year	Bank No.	Deposits	Stock	Total	Year	Bank No.	Deposits	Stock	Total
		£	£	£			£	£	£
1891	20	1,988,882	28,398	2,017,280	1918	12	2,866,987	688,607	3,555,594
1901	13	2,383,777	44,853	2,428,630	1920	12	3,502,451	804,157	4,306,608
1913	12	2,652,018	187,264	2,839,282	1928	11	* 5,056,175	1,534,307	6,599,482

* Including £569,957 in the Special Investment Department of the Belfast Bank.

TABLE 3.—POPULATION OF ELEVEN TOWNS, 1831–1926.

	1831	1851	1881	1926		1831	1851	1881	1926
Belfast ...	39,146	100,301	208,122	*415,007	Enniskillen ...	5,270	5,949	5,712	4,883
Dublin ...	203,752	258,369	268,452	*316,471	Waterford ...	28,821	25,297	27,827	26,646
Cork ...	107,041	85,732	80,124	78,468	Dungannon	3,515	3,854	4,084	3,760
Londonderry ...	10,130	20,187	29,162	45,164	Limerick ...	65,092	53,448	38,562	39,690
Coleraine ...	3,774	6,262	6,694	8,080	Monaghan ...	3,848	4,179	4,247	4,643
Armagh ...	9,189	8,856	10,070	7,401	Total Ireland	7,767,401	6,574,278	5,174,836	4,229,124

*Boundaries extended since 1881.

TABLE 4.—PROGRESS OF THE ELEVEN BANKS NOW OPEN IN IRELAND.

	Date of Estab.	Deposits					
		1829	1848	1857	1869	1881	1891
Belfast ..	1816	37,046	105,347	133,279	157,613	219,362	300,453
Dublin ..	1818	106,342	132,861	249,503	297,939	252,959	238,327
Cork ..	1817	163,685	266,303	330,463	324,517	387,481	380,360
Londonderry	1826	10,875	18,571	27,094	73,363	151,027	200,634
Coleraine ..	1832	—	20,035	42,538	78,422	119,842	125,771
Armagh ..	1818	28,863	48,499	80,308	138,273	180,434	194,103
Enniskillen	1825	15,684	40,027	69,480	114,950	152,164	140,630
Waterford ..	1816	56,454	46,192	67,559	63,972	92,485	128,854
Dungannon	1819	16,457	16,247	15,264	36,692	64,832	87,365
Limerick ..	1820	46,249	87,545	111,864	98,959	95,150	87,141
Monaghan ..	1819	12,790	15,326	20,783	29,171	29,192	29,809
TOTAL ..		494,445	796,953	1,148,135	1,413,871	1,744,928	1,913,417

	Date of Estab.	Deposits				Stock 1928	TOTAL
		1901	1913	1918	1928		
Belfast ..	1816	614,838	918,229	1,140,287	*2,762,006	1,148,894	3,910,900
Dublin ..	1818	256,322	231,265	207,260	481,923	99,988	581,911
Cork ..	1817	422,347	390,694	332,372	437,090	60,713	497,803
Londonderry	1826	258,877	267,471	284,371	345,715	7,250	352,965
Coleraine ..	1832	158,358	186,115	206,101	252,572	47,466	300,038
Armagh ..	1818	191,609	192,378	203,736	224,036	29,454	253,490
Enniskillen	1825	136,336	154,964	184,300	201,960	400	202,360
Waterford ..	1816	125,993	123,119	129,582	183,387	50,429	233,816
Dungannon	1819	78,656	75,345	78,966	86,591	83,544	170,135
Limerick ..	1820	77,422	64,260	58,000	51,354	5,221	56,575
Monaghan ..	1819	29,697	31,059	30,235	29,541	9,948	39,489
TOTAL ..		2,350,455	2,634,899	2,855,210	5,056,175	1,543,307	6,599,482

* Including Deposits in Special Investment Department, £569,957.

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NOTES AND ERRATA.

SOURCES OF INFORMATION.

Life of Rev. H. Duncan, by his son (1848).

History of Savings Banks, by J. Tidd Pratt, editions 1830 and 1842.

A History of Banks for Savings, by W. Lewins, 1866.

A Practical Treatise on Savings Banks, by A. Scratchley, 1860.

Centenary of Savings Banks, Edinburgh, 1910.

Reports of Committees of the House of Commons, 1858, 1888-9, and 1902, and the

Official Returns in the Annual Parliamentary papers.

SUPPLEMENTAL.

Note 3, page 6.—These figures only relate to the surplus in the hands of the N.D.C.

The total surplus of assets over liabilities of all Banks at November, 1928, was £2,658,154 in the Ordinary Department and £2,591,874 in the Special Investment Department—in all £5,250,028.

In the case of the Glasgow Bank the surplus in the Ordinary Department was £520,547 and in the Special Investment Department £378,204. (Taken from Table of Statistics issued by the Publicity Committee of the T.S.B. Association.)

Page 6, line 4, omit from "over £58,000,000" to end, and read " £59,150,528 at par, on these the depreciation was considerable; also £9,084,928 in securities bearing interest from 3½% to 5% on which the depreciation was not great. and £27,416,440 in securities maturing 1928-1934 and various cash advances repayable in full on which the depreciation would be negligible. Total of securities at par value £95,641,896 against a liability of £82,130,602."

Page 9, insert " average " before " cost " in lines 29 and 30.

Page 10, line 23, at end add " The final decision as to closing a Bank or opening a new Bank rests with the National Debt Commissioners."

Page 11, line 19, after " 450 " read " including branches."

Page 12, line 19, after " investment " read " provided that the total sum so invested must not exceed 20 per cent. of the deposits in the Special Investment Department."

Page 12, line 24, after " Committee " read " and the National Debt Commissioners whose decision is final."

Page 12, line 40, at end of line add " This Act does not extend to the five Banks in the Irish Free State."

Page 19, Table 1. The figures for the years 1819-1849 are the sums invested with the National Debt Commissioners—not the " deposits."

ERRATA.

Page 1, line 14, for 35,727,016 read 34,727,016.

Page 2, line 8, for 1910 read 1810; line 38, for 1916 read 1816; line 43, for 1917 read 1817.

Page 6, line 10, from end insert after page " 19."

Page 7, line 30, for 38,819,663 read 38,820,459.

Page 10, line 8, for " over 30 " read " many."

Page 11, line 4, from foot, for 32,932,093 read 31,932,093.

Page 12, line 14, for " withdrawn " read " referred back for further consideration."

Page 17, line 34, omit " 1829."

Page 18, add—Note—The Londonderry Savings Bank opened a special investment department in April, 1929.

Page 19, Table 1. Deposits 1859, for 38,726,676 read 38,919,128.

Page 19, Table 1. Deposits 1871, for 38,819,663 read 38,820,459.

Page 19, Table 1. Deposits 1881, for 44,137,885 read 44,137,855.

Page 19, Table 1. Government Stock, 1928, for 35,726,016 read 34,726,016.

Page 20, Table 2. Deposits, 1869, for 1,961,771 read 1,974,751.

Page 21, Table 4. Cork, 1891, for 380,360 read 380,860.

Page 21, Table 4. Londonderry—lower half of Table, for 1826 read 1816.