

Joint-Stock Banking in the English Provinces 1826-1857: To Branch or Not to Branch?

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From an almost global review of banking structures, Wilson discerned three trends: a “gradual reduction in the number of...units”; “a growth in...average size”; and “a more widespread resort to” branching [Wilson, 1986, pp. 1-4]. However, he acknowledged that regional and local banking has continued to have importance within Europe. Wilson paid little heed to the state’s role, but Cameron has emphasized in an historical approach the significance of legislation for banking structures and their performance [1970, pp. 9-10]. This paper accepts that, with regard to England and Wales, joint-stock banking’s early growth was strongly influenced by the timing of liberalizing legislation. Yet, other factors led to the persistence of a large number of unit banks until the 1880s.

Joint-stock banking, permitted from 1826, involved greater branching than private banking. A minority of private country banks had branched with, by 1813, some indications of expansion as 761 banks had at least 922 regular offices [Pressnell, 1956, p. 126]. However, corporate networks’ initial growth from 1826 also occurred slowly and, in 1857, the average number of offices per joint-stock bank was only 6.7 (2.1 for private country banks) [Nishimura, 1971, p. 80]. Although spearheaded by a few, ambitious bank boards, branching confronted considerable managerial and informational difficulties. Hitherto, the arising hesitancy has attracted little attention [Munn, 1997]. Thus, the following is an almost exploratory investigation of post-1826 English and Welsh corporate branch banking, which also debates with Munn over shaping factors. It draws upon the internal evidence of banks that had considerable longevity and also employs the *Bankers Almanac* [BA] and the *Circular to Bankers* [CB].

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Particular attention is paid to Yorkshire, where banking encompassed both unit institutions and corporate managements which established regional networks.

The Legislative Spur

The expansion of joint-stock banking was marked by promotional waves, each facilitated by reforming statutes. The drafters of the 1826 Act aimed to stabilise English banking and reasoned that banks were more likely to withstand “runs” with greater capitals. Consequently, the 1826 legislation allowed banks with more than six partners and freely-transferable shares to be established beyond a 65-mile radius of London. It resulted in 117 provincial joint-stock banks being in business by 1843, and 98 in 1857. Medium-term economic circumstances – the mid-1830s cyclical upswing – also played a part, with the formation rate becoming “manic” during 1836, when at least 59 new institutions were projected. This “mania” had its epicentre in Lancashire and Yorkshire [CB, 407, 6 May 1836].

The 1826 Act was passed after campaigning by supporters of joint-stock, branch banking who pointed to its success in Scotland, a country with a different legal code and financial system. There branching had been established from the 1770s by both Edinburgh “public banks” and private provincial banking companies [Cameron, 1967; Checkland, 1975; Munn, 1981]. However, joint-stock banks “proper” only began to be formed in Scotland from 1810, not fully developing until the 1830s. Thus, to a considerable degree, the adoption of joint-stock banking moved together north and south of Hadrian’s Wall.

Concerns over the ever-growing number of English and Welsh joint-stock banks, especially their increasingly speculative character, were first expressed in 1832. Joint-stock bankers in Liverpool and Manchester called for stricter regulation, involving branches more than 12 miles from head offices being independent banks and, thereby under their scheme, having capitals of at least £50,000. Rising anxieties led William Clay, who favoured even greater regulation, to obtain a select committee for investigating banks’ affairs [CB, 407, 6 May 1836].¹ This parliamentary action resulted in the banking boom’s fever abating from May 1836. Furthermore, the Northern & Central Bank’s sudden and spectacular collapse in mid-1836, after rapidly opening 36 branches to be regarded as *the* “boom bank,” gave all the necessary grounds for Clay’s inquiry [CB, 289, 31 Jan. 1834; 291, 14 Feb. 1834; 319, 29 Aug. 1834; Jones, 1971]. Its adverse criticisms were reiterated by a further Select Committee during 1840-1.

These two select committees’ hearings paved the way for Peel’s restrictive Joint Stock Banking Act of 1844. Furthermore, his Bank Charter Act of 1844 froze the volume of note issues of English and Welsh provincial banks, corporate and private, and contained measures for eventually extinguishing

¹ Clay was the Liberal Member of Parliament for Tower Hamlets from 1832 and held the seat until 1857. The son of an eminent London merchant, he became the Chairman of the Grand Junction Railway, and of the Southwark and Vauxhall water companies.

private rights to issue bank notes. This legislation, it has been argued, inhibited further branching in England and Wales as one major motive for opening branches had been to increase outlets for circulating bank notes.

The Transformation of Yorkshire Banking

Yorkshire was the largest English county and had a diversified economy during the mid-nineteenth century. In many respects, it mirrored that of the nation as a whole, although possibly having a greater weight of the new, structurally-transformed industries.

The expanding needs of commerce and trade had led to the early development of formalized banking in Yorkshire [Roth, 1914]. By 1800 most towns in the county had one, if not several, private banks, amounting to at least 50 in all. These issued notes while their assets came from servicing the trades of the districts in which they were individually located [Hudson, 1981]. However, they suffered from repeated instability and failure, especially in industrial districts, and thereby gained an unenviable reputation. The county was severely affected by the 1825/6 crisis, particularly marked by significant runs that resulted in substantial losses for depositors. Promoters of the new banks seized upon this situation, with the founders of the Huddersfield Banking Co. declaring that joint-stock banking would be:

well calculated to prevent a recurrence of those individual losses and consequent distress which this district has so often suffered from the repeated failures of the private banking establishments thereby retarding the growing prosperity of a place otherwise so well calculated from its local advantages to become one of the first commercial eminence [MBA H4, HBC, 22 Jan. 1827].

Beginning with the Huddersfield Banking Co., 24 joint-stock banks were formed in Yorkshire between 1827 and 1843, with three entirely new institutions established after the 1836 crisis (see Table 1, below). Consequently, by 1845, both joint-stock and private banks coexisted, although the former were more important, measured by capital and volume of business. There were 25 private banks with 11 branches, and 24 joint-stock institutions having 49 branches, but branching was restricted to only some of these institutions as 19 private and nine joint-stock banks had no satellite offices [BA, 1845]. This gave an array in 1845, ranging from local banking, sometimes with a few branches, at one pole to, at the other, two "district" banks each with county-wide networks. With this structure, Yorkshire provides a meaningful case of initial post-1826 branching developments.

Establishing Branches

The following sections will examine why, and how, branches were established; the business of branches; the problems of branch management; and, finally, why English and Welsh corporate banks were, on the whole, slow

to establish networks. These issues are considered with regard to both local banks that characterized the national system and the few larger, “district”/ regional institutions. Points will be augmented with Yorkshire examples.

First, it is important to establish what constituted a branch throughout the nineteenth century. But this is no easy task. There appears to have been little differentiation between branches, sub-branches and agencies. Indeed, all were simply referred to as offices, which was also the case in Scotland. A branch might be a room for business one day a week, sometimes termed an agency or sub-branch. Others had dedicated premises, opened every business day, yet were classified alongside “rooms” solely servicing market days. The step-up in costs from renting a room to acquiring a specific building was quite considerable. However, the *types* of business, if not the volumes, undertaken at these locations were largely the same. Even as late as 1914, this diversity persisted: “The proportion of offices not opened daily has increased in England and Wales. From being about one-twelfth in the years 1886-1888 it is now nearly one-quarter of the whole number [6,709]” [BA, 1914]. Therefore, as contemporary sources fail to differentiate, a broad definition has to be taken which subsumes all offices – whether “full” branches or sub-branches or agencies.

Private banks’ branches tended to be more autonomous than those of joint-stock institutions, frequently being based upon interlocking partnerships, personally bonded by a shared faith and intermarriage. Joint-stock banks followed a different path for branching as many claimed to be based upon the evolving Scottish model and some even employed Scottish bankers as managers. For example, the Huddersfield Banking Co. was established “on the system hitherto so successfully adopted in Scotland” which would be “highly advantageous” to the Yorkshire textile town and its locality [MBA H4, HBC, 22 Jan. 1827]. Its promoters stated that: “the Scottish system of banking has been eminently successful both as regards the interests of the proprietors and the public at large” [MBA H4, HBC, 22 Jan. 1827].

Nevertheless, most pre-1850 joint-stock banks proved to be unit institutions as their very titles indicate. This had its dangers arising especially from “insider lending” and through being closely tied to the vagaries of local business conditions. However, unit banking could capitalize upon directors’ particular knowledge of local economies and of the customers that comprised them [Newton, 1996, 1997]. There was also the advantage of operating within a known environment when relatively poor communications restricted long-distance business transactions. Such banking was reinforced by a second factor – that a significant number of the new banks were conversions of private houses.

A few early joint-stock bankers broadened their business horizons, with the most notable exponent being the National Provincial Bank of England, founded in 1833. Its founders’ policy involved opening offices throughout England and Wales but the success achieved did not lead other bank managements to emulate it before 1860. However, by 1836, there were at least 11 “district” banks: Commercial Bank of England (formed in 1834); Devon & Cornwall (1831); East of England (1836); Glamorganshire Banking Co. (1836); Monmouthshire & Glamorganshire Banking Co. (1836); Northern & Central

(1833); North & South Wales Bank (1836); Northamptonshire Banking Co. (1836); West of England & South Wales District Bank (1834); Wilts & Dorset Banking Co. (1835); and Yorkshire District Bank (1834).

Why did a number of bank managements establish satellite offices? The reasons are difficult to discern. In some instances, branches arose from particular, personal business connections that brought in additional customers. Furthermore, although not directly alluding to Scotland, many joint-stock bankers south of the border enthusiastically stated their intentions of immediately founding branches. The Bradford Banking Company's 1826 prospectus declared that "in every town in which shares shall be subscribed for, a Branch Bank shall be established" [MBA B42/3, BBC, 1 Oct. 1826]. Yet, this aspiration was not fulfilled. Similarly, the group behind Sheffield & Hallamshire Banking Co. displayed ambitions for geographical expansion. Its first, 1836, prospectus portrayed an intended regional dimension – the word: "District" in its title – but, yet again, branches were not established [MBA AM35, S&HBC, April 1836].

In other cases, businessmen petitioned bank managements to open in their town. These approaches were often headed by those seeking to manage the proposed branch and who indicated support by a list of local signatories. The nineteenth-century banker, George Rae, was wary of these blandishments: "When you receive a memorial 'numerously and influentially signed,'...inviting your Bank to open a Branch at some place, in opposition to an existing bank; it will be well, before you take any other step, to have the history of the document closely investigated" [1885, p. 285]. He thought that instigators of such canvassing, no matter their prior qualifications, would primarily have "an eye to the management of the new Branch" since primarily they sought its social cachet and remuneration. The basis for such branches was doubtful as "probability runs quite the other way, the motivation being personal gain rather than a sound business proposal" [Rae, 1885, p. 286]. This was no idle commentary as Rae headed the North & South Wales Bank, that had an extensive Welsh network overseen from a head office in Liverpool.

Rae's cautionary advice was not always followed, sometimes for good reason. Directors of York City & County, after reporting that "shareholders and other important people at Selby having expressed a wish and made frequent applications that a Branch should be established," explored the situation. Initially, this led to the town's market being serviced; the "branch," beginning in a rented room, proved successful and was developed to open five days a week [MBA Y1, YC&CBC, 24 Feb. 1831]. This instance demonstrates the influence that shareholders in a particular town could wield, which was also the case with the York City & County's Malton branch [MBA Y1, YC&CBC, 24 Feb. 1831].

Bankers favoring branching saw it as an opportunity to extend business, both deposit collection and their mobilization. The Yorkshire District Bank recognized this from the outset, its directors proclaiming an adventurous branching policy at locations that previously had not supported any formal bank.

Thus in the minor places of Yorkshire this company will, by means of well organised branches, afford an opportunity for the profitable investment of unproductive capital, and for facilitating and augmenting the operations of trade and manufacture [MBA X3, YDB, 17 Jun. 1834].

They emphasised this aspect:

the present undertaking possesses...a new and important feature from its being the first full application of the district plan of banking to this affluent and prosperous county. This feature invests the bank with a distinctive character and places it upon a different footing from that of all the joint stock banks and private partnerships which exist in the various localities [MBA X3, YDB, 17 Jun. 1834].

This was apparently supported by the size of their bank's capital and the "wealth and influence of its shareholders afford[ing] to the public a basis of unquestionable security" [MBA X3, YDB, 17 Jun. 1834]. It was claimed that the guarantee extended to branches, and management rapidly developed over three years a network of 20 to give substance to the bank's "district" title.

The other Yorkshire "district" bank was the York City & County. Founded in 1830, it had seven branches by 1845 and ten by 1865 (see Table 1, below). In developing this network, the bank's senior management was often opportunistic, seizing upon private bank failures as market openings. This began with Wentworth & Co.'s demise which gave rise to a York branch and, subsequently, they established other outlets from comparable situations. For example, after the collapse of Scholfield & Clough in 1831, it opened in Howden and Selby by directly acquiring the premises and business of the embarrassed house. On this occasion, the York City & County directors also employed one of the failed bank's partners, Clough, to manage its new, successor Howden branch, commending his "high respectability of character combined with competent knowledge and many years experience in banking" [MBA Y1, YC&CBC, 23 Feb. 1832]. Thereby, the York City & County gained the expertise and particular knowledge of a banker, so vital for the success of localized banking during the early nineteenth century.

The Yorkshire District Bank's management could be more aggressive. In 1834, they sent a representative "with a view of forming a connection with two of the [private] banks in Sheffield by their retiring in favour of the Yorkshire District Bank." The inducements were 4,000 and 2,000 Yorkshire District shares [MBA X3, YDB, 27 Jun. 1834]. This behavior could be described more as predatory than opportunistic, although neither Sheffield bank succumbed. Walker & Stanley was converted independently into a joint-stock bank in 1836 (Sheffield & Rotherham Banking Co.), while Rimmington's & Young's were still a private house in 1845.

Branching and Business

Some of branching's main advantages comprised the abilities thereby gained to arrange money transfers without resorting to bills, and to balance internally transactions arising from taking deposits on the one hand and discounting on the other [CB, 334, 12 Dec. 1834]. Furthermore, they might augment sources of commercial information [Attfield, 1892]. However, with regard to Scottish banks, Munn has argued that branches were crucial for sustaining large note circulation. Their early business was dominated by lending as this ensured higher note circulation, the main source of profits [1997, p. 39]. The comparative question of banking assets will be considered now, whereas the role of note-issuing will be taken up later in the discussion.

Scottish bank lending from the early eighteenth century was based upon the cash credit system, a proto-overdraft secured by the customer's bond with the collateral of two personal guarantors. The drawing up of the bonds was overseen by directors just as, subsequently, senior managements of English joint-stock banks were responsible for deciding overdraft and other loan proposals. However, in England, until the 1870s, discounting constituted the major, everyday lending business, especially for banks in industrial districts. Yet directors were rarely involved in decisions over acquiring bills, pointed up by the absence of references to this in board minutes. Rather, to discount, or not, had to be decided rapidly by the banker or manager facing the customer. This situation heightened the necessity for knowledge about the paper offered and its bearer with whom the bank was dealing. It again highlights the importance of local information, either for a unit banker or a branch manager. The manager, replacing a senior clerk under a partner, had to be well informed about bills proffered for discount, whereas directors, taking the place of partners, needed to be sure about those making approaches for loans. This moves the discussion onto the managerial and/or informational difficulties posed by extensive branch banking.

Branches and Risk

A chief concern of joint-stock bankers was the retention of control over offices located some distance from head office. Bankers before the 1836 Select Committee stressed what they considered to be the problems inherent in branching. Often these outlets were viewed as risky due to their remoteness from the head office, thereby generating managerial and communication problems. There were also worries about branch managers' skills and reliability, which could either prejudice or hinder information collection for the risk assessment of loans and advances by directors. It must be emphasized that decisions about loans and advances, as opposed to discounting, were generally taken at board level. Yet, there was an inherent information asymmetry in loan contracts as borrowers were more knowledgeable than lenders regarding the likelihood of default. Obtaining data was therefore crucial for senior bankers to gauge borrow-

ing customers' creditworthiness and, with branches, they would have to work at second hand to branch managers, who might even collude with customers.

During the mid-nineteenth century, information could be gathered most effectively at a local level often via personal business networks. Reducing risk was especially important for banks in industrial areas where potential exposure tended to be higher since loans to manufacturers were often larger and, relatively, less liquid than other types of accommodation. Furthermore, more customers, comprising firms engaged in the same industry, with the arising possible provision of a large proportion of accommodation to the same sector, made such banks especially vulnerable to cyclical crises [Newton, 1998b].

Establishing branches beyond the immediate area of head office might diversify risk through incorporating different business amongst a bank's assets. However, before 1850, spatially developing new markets would have taken banks outside the geographical knowledge bases and personal networks of their senior managements. It was more likely that a separate new institution or house would be established. This would be more able to draw upon the necessary specialist information and personal contacts that provided it, than could a branch of a bank with a head office beyond the district. For instance, directors of the Sheffield & Rotherham Bank stated from the outset their aversion to establishing a sizeable network. The board, containing representatives of those who had founded it as a family private bank, maintained that branches would weaken their ability to exercise personal control. These fears were justified in 1848, when a full branch inspection found that they "had long been conducted with a singular want of judgement" [Royal Bank of Scotland, 1992, pp. 8, 9]. Moreover, this resulted in the bank's reserve fund plus £17,000 being absorbed in meeting the deficiency.

Branching Strategies

Nevertheless, a number of bank managements devised successful strategies addressing the problems of branching arising from relatively poor communication. The York City & County, as shown above, found one solution in employing a former partner of a private bank whose business had been acquired. It also poached managers from viable private banks, as when the Malton branch was opened [MBA Y1, YC&CBC, 24 Feb. 1831]. A further method was to insist that a branch manager provide securities and references, an extension of appointment procedures at head office. For their Scarborough branch, York City & County directors required that its manager give names of sureties and also security of £5,000, a very considerable amount in 1831. As in Scotland, bank managements monitored branches, especially in the early stages. York City & County directors "deem'd [sic] it essential during the period of the formation of the branches at Selby and Howden, to attend weekly at those places and still continue frequently to visit the different branches" [MBA Y1, YC&CBC, 23 Feb. 1832]. Like the National Provincial, the Yorkshire District Bank established local directorates for branches, who also oversaw any nearby sub-branches [MBA X3, YDB, 15 Jul., 3 Oct. 1834].

Competition between banks and bank branches located in the same towns was intense. As has already been indicated, joint-stock banks developed alongside private houses. However, bankers sometimes not only made agreements to limit competition but also shared intelligence, the latter being especially prevalent amongst joint-stock institutions. A chief objective of the Yorkshire District Bank promoters was to establish a *regional* institution but one of their first resolutions was not to open in adjacent Lancashire [MBA X3, YDB, 24 May 1834]. Crossing the boundary to a neighboring county would have been neither unreasonable nor geographically too distant. In these circumstances, the 1834 decision likely arose from an understanding with the Manchester & Liverpool District Bank, which operated in Lancashire. The Lancastrian bank's management agreed to promote the Yorkshire District's interests, even going so far as providing a manager [MBA X3, YDB, 7 Jun. 1834]. For its part, the Yorkshire District was not to move into Lancashire.

Branching at the Levels of the Region and the Economy

Having examined various aspects of branching, it remains to consider the extent of its development, first in Yorkshire and, second, in England and Wales. A survey of Yorkshire private banks for 1845 reveals 25 houses and 11 branches, with none having more than four offices, i.e. three branches. The county's 24 joint-stock institutions, had a total of 49 branches, all located within Yorkshire (Table 1). Thus, Yorkshire private houses had an average of 0.44 offices whereas that for joint-stock institutions was higher at two per bank. This is an indication of joint-stock institutions having a somewhat greater propensity to branch.

Table 1 displays the county's 24 joint-stock banks in 1845, together with their subsequent development. For comparison, details are included of the National Provincial Bank of England, which had the largest network covering England and Wales. It shows that, while those Yorkshire joint-stock banks involved in branching tended over time to expand their networks, nine joint-stock institutions remained unit concerns until at least 1865. Indeed, only two banks had substantial networks by 1865 – York City & County and the Yorkshire Banking Co. – and could be considered “district” institutions. Over the mid-century, Yorkshire continued to have both the typical, small-scale unit bank and two burgeoning district banks.

Despite the establishment of joint-stock banking during the 1830s, branching over a considerable business catchment area failed to become commonplace in England and Wales. Despite declarations of following their Scottish counterparts, English and Welsh joint-stock bankers did not open branches to anything like the same extent. Although some banks south of the border developed networks, these seldom comprised more than four satellites in towns or large villages near head offices. The overall extent of branching in England and Wales is shown in Table 2, with a comparison with Scotland. Joint-stock banks clearly moved ahead of private banks, drawing upon their larger capitals to operate on a somewhat wider spatial dimension. However, in

1850 the number of offices per bank was markedly higher in Scotland – 24 – as compared to six for joint-stock, and 1.6 for private, banks in England and Wales.

Table 1: *Joint Stock-Banking in Yorkshire, 1845-65*

Bank	Date est.	Date failed	Number of branches		
			1845	1855	1865
Huddersfield Banking Co.	1827		2	2	3
Bradford Banking Co.	1827		0	0	0
Halifax Joint Stock Banking Co.	1829		0	0	0
York City & County Banking Co.	1830		7	8	10
Sheffield Banking Co.	1831		1	1	2
Knaresborough & Claro Banking Co.	1831		2	4	7
Barnsley Banking Co.	1832		0	0	0
Wakefield & Barnsley Union Bank	1832		1	1	2
Leeds Banking Co.	1832	1865	0	0	0
Hull Banking Co.	1833		3	3	3
Bradford Commercial Joint Stock Banking Co.	1833		0	0	0
York Union Banking Co.	1833		11	8	8
Leeds & West Riding Banking Co.	1835	1846	1	–	–
Sheffield & Hallamshire Bank	1836		0	0	0
Sheffield & Rotherham Bank	1836		2	2	3
Swaledale & Wensleydale Banking Co.	1836		4	3	3
West Riding Union Bank	1836		2	2	–
Halifax & Huddersfield Union Banking Co.	1836		0	1	1
Halifax Commercial Banking Co.	1836		0	0	0
Leeds Commercial Banking Co.	1836	1846	0	–	–
Borough Bank of Sheffield	1839	1845	0	–	–
Sheffield & Retford Bank	1839	1846	3	–	–
Yorkshire Banking Co.*	1843		10	12	20
Sheffield Union Banking Co.	1843		0	1	1
<i>National Provincial Bank of England</i>	<i>1833</i>		<i>92</i>	<i>104</i>	<i>128</i>

Source: BA, 1845, 1855 and 1865.

*A reconstitution of the failed Yorkshire District Bank (1834-43).

Table 2: *Number of Banks and Bank Offices in England and Wales, and Scotland*

	England and Wales					
	Private banks		Joint-stock banks		Scotland	
	Banks	Offices (Banks:Offices)	Banks	Offices (Banks:Offices)	Banks	Offices (Banks:Offices)
1825	650	650 (1:1)	–	–	36	173 (1:4.8)
1850	327	518 (1:1.6)	99	576 (1:5.8)	17	407 (1:23.9)
1875	236	595 (1:2.5)	122	1,364 (1:11.2)	11	921 (1:83.7)

Source: Collins, 1988, p. 52

Reluctant Branchers?

Why was branch banking slower to develop in England and Wales? It is possible that this was due simply to the number of private banks, with their low propensity to branch, that existed alongside joint-stock banks well into the nineteenth century [Newton, 1998a]. Such banks played only the smallest role in the Scottish system after 1840. Yet, even when these banks are abstracted, English joint-stock banks display no collective significant propensity to branch.

Early English joint-stock banks have been described as having "small capitals, few branches and parochial outlooks" [Cottrell, 1979, p. 16]. Such constitutions may have been influenced by the continuing presence, albeit diminishing, of private houses, whose local banking was a reminder of how business had been undertaken. Indeed, Britain's capitalists have often been criticized for being backward looking with an adherence to tradition. Yet, promoters of new joint-stock banks were openly and vocally attempting to establish *new* financial institutions while castigating the deficiencies of the old. However, many were conversions of private banks. Furthermore, this carry-over of tradition is evident amongst the reforming joint-stock bankers of the 1830s, who went as far as advocating that a branch should be a separate bank if it was more than 12 miles from head office. Similarly, Stuckey, the West-Country private banker who first adopted joint-stock branch banking at a district level, believed that networks should be confined to only two counties [Thomas, 1934, pp. 256-63]. Moreover, unlike in Scotland, the number of existing private banks, although falling from the 1810s, tempered the extent to which joint-stock banks could expand spatially. Frequently, new openings only arose with the failure of older private houses.

Munn believes that improved communications, especially the coming of the railway and cheap postage, were crucial in changing the reluctance of English bankers to branch. These innovations changed substantially the parameters of the business environment – as between eighteenth-century private, country banking and mid-nineteenth-century provincial, joint-stock banking. Faster transport helped to surmount the problems of controlling branches and collecting information about customers and, consequently, encouraged spatial expansion [Munn, 1997]. Yet, English bankers continued to be hesitant over branching until the 1860s.

Systems, such as branch inspectors, correspondence, reports, and weekly returns from branches, were first developed in Scotland when communications were relatively poor yet were only replicated later by some in England and Wales, as has been illustrated above. Furthermore, Munn points to the lack of guidance over branching contributing to English reticence. If unfamiliar with Scottish banking, English and Welsh bankers would have been hard pressed to find well-based guides. The ever reliable George Rae had little to say, beyond extreme caution, on the subject. The first comprehensive discussion in the English professional banking literature appeared as late as 1892 [Munn, 1997, p. 44] and a survey of the *Bankers Magazine* (first published in 1841) found no earlier commentary.

Banks' businesses could also have been a contributing factor, impeding branching in England and Wales. It has been argued that the 1844 Bank Charter Act, which fixed the volume of bank note issues, "may well have had a bearing on the relative lack of enthusiasm of English bankers for branches" [Munn, 1997]. After 1844, English banks increasingly had to pay for till money by purchasing Bank of England notes, unlike Scottish banks which developed extensive branch systems earlier than in England and Wales. Yet, remote branches were deliberately employed in Scotland to issue notes, their isolation ensuring that they would remain beyond the weekly inter-bank note exchanges. The Scottish "private" note issue was to reach a pre-1914 maximum in 1901. However, all Yorkshire joint-stock banks, bar one, listed in Table 1 issued notes, yet only two established sizeable networks before 1844. Thus, the incentive to open branches to enhance note circulation had little influence upon many initial joint-stock bankers in Yorkshire *over the 1830s*. Why?

Although it was recognized in England during the mid-1830s that a widespread, multi-branch network would support a larger note circulation than unit banking, by the late 1830s the nature of English banking began to change. Increasingly, the stress was upon deposit collection so that, whereas 81.5% of joint-stock banks formed in England and Wales before 1837 acquired note-issuing licences, only 15% of those established between 1837 and 1844 took this step. Indeed, the aggregate note issue of English country banks, joint-stock and private, peaked in 1836 and so was in decline before the passage of 1844 Bank Charter Act. What the 1844 monetary straight jacket might have done is to have given a fresh emphasis to bills in English and Welsh banking and, as has been described, discounting was largely in the hands of managers as opposed to directors which raised the control question. With the ability to re-discount on the London money market, most English bankers remained more concerned about the quality of their prime asset – bills – than amassing further liabilities – deposits – through branch extensions. Indeed, English banks in industrial areas were "over-lent" until the 1870s, always looking to the metropolis for liquidity at times of stringency.

Along with long-term, organic business factors, the high profile failures of certain "district" banks during the late 1830s could have inhibited further branch banking in England. The most spectacular was the rise and fall of the Northern & Central Bank, with 36 branches, within four years. This was followed by the collapses of the Commercial Bank of England in 1840 and the Yorkshire District Bank in 1843. The latter revealed bad management, both at head office and branch levels, with accounting practices being idiosyncratic at best [Crick and Wadsworth, 1936, pp. 212-15]. These failures all gave branching, albeit primarily at a "district" level, something of a bad name, justifying bankers' fears. Consequently, the National Provincial, using expatriate Scottish expertise was left to be the major exponent of nation-wide branch banking until the mid-1860s. The other major exceptions were Welsh joint-stock banks – Glamorganshire Banking Co., Monmouthshire & Glamorganshire Banking Co. and, above all, the North & South Wales Bank – operating in business and geographical environments more analogous to those found in Scotland.

Provincial Branching in a Longer Perspective

From the 1860s, English banking began to acquire the character with which it was later to become synonymous – corporate branch deposit banking. Private banking continued to ebb and was largely found during the mid-1870s only in southern and central agricultural districts. Corporate banking was given greater foundations by the further liberalizing Acts of 1857-1862, which permitted banks to be established with limited liability. The impetus to branch took greater hold, with the ratio of joint-stock banks to offices rising from 6.8 in 1862, to 9.2 in 1872, and to 13.3 in 1882. It quickened thereafter, to double over the following decade and rise by a factor of 2.4 over the next, by which time concentration was shaping the industry's organisation.

Along with legislation went an increasing stress upon liquidity, the need pointed up by the experiences of the banking crises of 1866, 1878, and 1890. However banking business, the employment of deposits as opposed to note-issuing, was also shaped by the introduction of an uniform stamp duty on cheques in 1854 and the creation of a country clearing in 1860, joined by the Bank of England in 1862. These changes, arising from legislation, and reaction and agreement within the profession, gave further emphasis to deposit collection and their mobilization by overdraft. Decisions about overdrafts were decided primarily by directors with branch managers being subjected to lending limits, a very different system of control compared to the mid-century when discounting had been the most important way of accumulating assets.

The further growth of deposit banking and a greater resort to branching occurred from when the third railway-building boom – that of the 1860s – brought smaller towns and villages within the national steam-powered transport network. Faster transport not only improved communications but reduced business inventories, leading to the decline of the inland bill. English branching accelerated to amass deposits and relay to head offices proposals for overdrafts accompanied by the commentaries of branch managers.

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